FINANCIAL TIMES

PUBLISHED IN LONDON AND FRANKFURT

No. 28,478 Tuesday May 26 1981 ***25p

CONTINENTAL SELLING PRICES: AUSTRIA Sch 15; BELGIUM Fr 25; DENMARK Kr 6.00; FRANCE Fr 4.50; GERMANY DM 2.0; ITALY L 1,000; NETHERLANDS Fl 2.0; NORWAY Kr 6.00; PORTUGAL Esc 50; SPAIN Pts 75; SWEDEN Kr 6.00; SWITZERLAND Fr 2.0; EIRE 35p; MALTA 25c

NEWS SUMMARY

GENERAL

Poles march as suicides reported

About 10,000 Poles marched through Warsaw demanding the release of political prisoners. Similar student-sponsored demonstrations were staged elsewhere.

Police, intervening only to direct traffic, were aided by Solidarity members. Military personnel reinforced police across the country to deal with "a rising tide of lawlessness," according to the official news agency.

As the march got under way the agency said two former Government Ministers, Jerzy Olszewski, foreign trade, and Edward Barszcz, building, had committed suicide on Sunday and yesterday respectively.

Republicans show display of unity

The Ulster funeral of hunger-striker Patsy O'Hara was turned into a display of unity by the Irish National Liberation Army and the Provisional IRA.

The groups marched together for the first time since INLA split from the Official IRA four years ago. O'Hara's brother Sean pleaded for unity among Republicans against "the British imperialist monster."

Hijack escape

Turkish hostages among 91 passengers, who included five U.S. Citibank bankers, on a hijacked Turkish Airlines DC-9 diverted to Burgas, Bulgaria, attacked their Marxist guerrilla captors and freed themselves. None was seriously injured.

Spain sceptical

Spain's opposition parties demanded that Premier Calvo Sotelo give Parliament today a full account of the weekend Barcelona bank siege, reflecting public scepticism about many aspects of the attack. Page 3

Drone shot down

A third Israeli pilotless reconnaissance plane was shot down over Syria yesterday. Page 2

N-alert criticised

The U.S. nuclear attack warning and world-wide communications network has broken down repeatedly in crises, Congress's investigative arm says in a report.

World hunger

The UN's World Food Council, meeting in Yugoslavia, said hunger would be eradicated by 2000, 15 years later than it had aimed for.

Jack Warner dies

Actor Jack Warner died on Sunday aged 85. Born in Bow he appeared in more than 40 films, including the 1950 launch of P.c. George Dixon of Dock Green in The Blue Lamp, and 430 Dixon TV performances between 1955-76.

Holiday 'wash-out'

Bad weather in the South and the cost of a third Bank Holiday in six weeks kept people at home in a Spring Bank Holiday described by the Royal Automobile Club as one of the most depressing for a long time and "a complete wash-out." The North and Scotland fared better.

Ripper hoax

Yorkshire Ripper Peter Sutcliffe will be questioned further, after the 28-day appeal period is passed, about the hoax letters and tape-recording, and the 1975 killing of Joan Harrison in Preston. Police believe there is a link. The hoax author is sought.

BUSINESS

Top level talks with Soviets on trade

● TRADE TALKS start tomorrow between the UK and Soviet Trade Ministers, the first ministerial contacts since the USSR invaded Afghanistan in 1979. Back Page; Details, Page 4

● LLOYD'S committee is to consider how to amend its parliamentary Bill on self-regulation—which a Commons committee said should provide for complete divestment between brokers and underwriters. Back Page: Details, Page 10; Editorial comment, Page 16

● CEGB (Central Electricity Generating Board) denied a Monopolies Commission suggestion that it might renege on its commitment to a new £800m reprocessing plant for spent nuclear fuel. Back Page

● CONSTRUCTION industry appealed to cement manufacturers not to increase prices by a proposed 4-6 per cent. Back Page

● TRANSPORT WORKERS' union rejected a revised pay offer to 700,000 civil engineering and building workers. Page 10

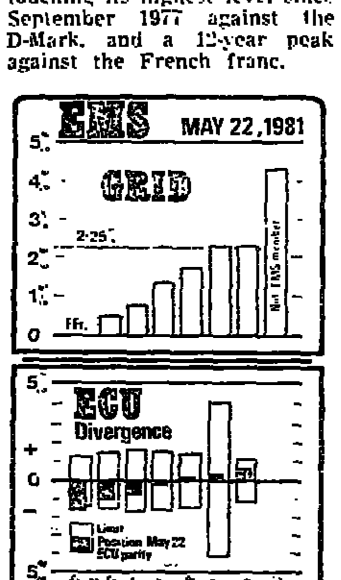
● SHIPPING faces its most serious labour crisis since before World War II, the General Council of British Shipping's annual report says. Page 10

● SAUDI ARABIA awarded a £150m National Guard medical services contract to a group of British companies led by International Hospitals Group. Page 4

● KHD (Klöckner-Humboldt-Deutz), West German engineering group, said order intake rose 64 per cent to DM 1.7bn (£353m) in the four months to end-April. Page 23

● BANK OF FRANCE moves to stem the flow of capital from Paris following the election of a socialist President had little impact on the French franc last week. The foreign exchange controls introduced by the authorities on Thursday evening, coupled with record interest rates, failed to lift the franc from the lowest position within the European Monetary System, although intervention by the Bank appeared to be on a smaller scale than the previous week.

The D-Mark remained at the top of the system, and was also at its highest permitted level against the franc. On the other hand European currencies continued to suffer from high U.S. interest rates, with the dollar touching its highest level since September 1977 against the D-Mark, and a 12-year peak against the French franc.



The chart shows the two constraints of European Monetary System exchange rates. The upper grid, based on the weakest currency in the system defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU) itself a basket of European currencies.

Civil servants likely to extend action to payment of benefits

BY PHILIP BASSETT, LABOUR STAFF

CIVIL SERVICE union leaders seem likely to give notice today of their intention to widen their campaign of action into sensitive benefit-payment areas if the Government continues to refuse to improve its 7 per cent pay offer or allow it to go to arbitration.

As the unions meet to consider further action, air traffic control staff will strike again today, this time in Scotland, despite a strongly-worded call from their professional body, the Guild of Air Traffic Controllers. The Guild, which involvement in the civil servants' action.

Pressure to extend the action being taken by air traffic control staff, particularly by engineers, will be one of the options voiced at today's meeting of the Council of Civil Service Unions' major policy committee, which has been called to consider the decisions for escalation taken in the recent round of union conferences.

The outcome of the meeting is of crucial importance to the dispute, now in its 12th week, since any decision to intensify it seems most likely to prompt action in previously-clear areas such as unemployment and other benefit payments.

However, such a decision is almost certain to provoke much tougher disciplinary action from the Government than it has taken so far.

Civil Service Department ministers have so far resisted calls from Conservative backbenchers to take a firmer line, but a decision by the unions to intensify the dispute could well increase pressure from both the Prime Minister and Treasury ministers for a much wider use of the suspensions policy. The prospect may also be raised again of withdrawing the present offer of 7 per cent.

Pressure against taking action in the sensitive departments of Employment, and Health and Social Security, has already come from the TUC and from both sides of the House of Commons.

In separate pieces of advice, the TUC and the Tory and Labour employment groups have suggested that the areas of benefit payment be avoided by the civil service unions want to keep any public sympathy for their case.

A decision to affect benefit-payment arrangements is likely to draw the TUC much more closely into the dispute. Civil Service union leaders, a number of whom have already had private discussions on the dispute with Mr Len Murray, TUC general secretary, doubt whether any intervention by the TUC would be likely to have much effect with a Government politicially opposed to it.

While no clear line has emerged from the conferences other than for an escalation of the campaign of selective strikes, which have been aimed mainly at defence and revenue-collecting areas, benefit arrangements seem the most likely target. The prospect of a five-day all-out strike seems to have faded.

The most likely action would be to pull out staff at the unemployment benefit computers at Livingston, in Scotland, and Reading; at the pensions computer at Newcastle; and at the child benefit statistics computer at Washington, Co. Durham.

Emergency arrangements to maintain the payment of benefits would be urged by the

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£2½bn IN TAX RECEIPTS DELAYED

The Civil Service dispute is having a growing cumulative impact on the Government's finances though no change in monetary policy has been required, or is likely, writes Peter Riddell.

The Treasury has said that up to the end of April about £2½bn in tax receipts had been delayed by the dispute. City analysts believe the backlog could rise to over £4bn by the end of this month.

The authorities have been able to mop up part of the increase in liquidity resulting from the non-payment of tax through large Bank of England holdings of commercial bills. When these bills mature, the companies concerned pay over cash to the Bank, which can also sell bills to the money markets.

The monetary figures imply that Bank holdings of these bills are still probably at least £2bn, so there is still considerable room for manoeuvre.

At present it looks unlikely there will be any call for special deposits from the banking system, which is a cumbersome procedure anyway, if the Bank ran short of commercial bills. It would be more likely to increase its issue of Treasury Bills.

The authorities do not anyway see any great surplus of liquidity in the money markets at present. It is possible that the continued large calls on sales of gilt-edged stocks and heavy sales of national savings may have absorbed surplus funds.

A more serious problem will be when the dispute ends and there is a large flow of funds out of the private sector into the Exchequer. Some analysts believe that the backlog could be reduced quickly, partly because a lot of the delayed tax represents uncashed cheques. Anyone who has not sent a cheque in at the due date will face interest rate penalties.

Pay protest runs out of steam, Page 11

Bid to boost confidence in franc

BY DAVID WHITE AND TERRY DODSWORTH IN PARIS

M JACQUES DELORES, the new French Economics and Finance Minister, moved yesterday to restore calm to the stock and bond markets in the wake of M Francois Mitterrand's election as President by pledging the Socialist administration to an "open economy."

He said that France would avoid measures that discouraged the development of the equity market or foreign investment in the country.

The French franc had its strongest day in a week in Europe, managing to stay above its intervention point in the European Monetary System and finished against the D-mark at FFr 2.404 against FFr 2.409 on Friday.

According to dealers in Paris, the Bank of France did not intervene during the day, although there was some threat of action against the dollar, which eventually finished down at FFr 5.567 against FFr 5.592 at the end of last week.

With both the London and New York exchanges closed, trading was thin yesterday, and most dealers were anxious to see how the markets responded today before calculating the full impact of the Government statements.

But one indication of a decline in the pressure to get money out of France came from the newly-established dollar premium system for buying foreign shares, where demand was less strong than on Friday. The premium stood at about 8 per cent last night, against 10 per cent at the weekend.

The Bourse also responded positively to official efforts to stabilise the markets, going up by 2.3 per cent in a day of very modest trading.

M. Delors, appointed on Friday at the head of a reunited super-ministry, with similar powers to those enjoyed by M. Giscard d'Estaing under de Gaulle, said that his first task would be to develop long-term savings.

The Government would seek to provide adequate remuneration, including fiscal advantages, to favour further growth of the bond market, where volume rose last year by 70 per cent to FFr 110bn ($20bn). It would consider raising the current FFr 3,000 tax deductibility ceiling.

Any modifications to the tax system on shares would be undertaken gradually, with the aim of maintaining satisfactory earnings. A stable tax régime for shareholders was one of the conditions for enabling companies to improve their risk capital base, M. Delors said.

The market should not worry, he said, about the prospect of nationalisations, since the Government was committed to providing fair compensation.

The Socialist election programme included takeover of private banks and insurance companies and 11 industrial groups, but this has yet to be translated into legislation and put before a new Parliament.

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Resignation shakes Bonn Socialists

By Jonathan Carr in Bonn

THE UNITY of the ruling West German Social Democratic Party suffered a new blow yesterday with the resignation of Herr Hans-Ulrich Klose, Lord Mayor of Hamburg, in a dispute over nuclear power.

Herr Klose is the second Social Democrat leader of a major German city to resign this year.

In January Herr Dietrich Stobbe gave up his job as Mayor of West Berlin, bringing elections which left the city without a clear governing majority.

The coalition partner in Bonn, the liberal Free Democratic Party, also faces a split over a decision not to support the main West German Opposition party, the Christian Democrats, in a Berlin Government.

Many in the centre of the Social Democratic Party, including Chancellor Helmut Schmidt, are unlikely to regret the departure of Herr Klose, who has moved even further to the Left in his six and a half years of office.

But the party Left-wing, which particularly applauded Herr Klose's stand against a planned nuclear plant at Brokdorf, near Hamburg, is already

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British printers win share of Thomson deal

BY ALAN PIKE

THE BRITISH printing industry, which is under severe attack from foreign competition, has achieved an important breakthrough in a drive to win back orders from abroad.

Following talks with industry representatives and union leaders, Thomson British Holdings—part of the International Thomson Organisation — has agreed to establish guidelines for a positive policy of placing print orders for its books, magazines and directories with British companies.

The new policy has already borne fruit. Three British printers and three continental ones will now share the work on Thomson's proposed new local directory scheme, which it is developing with a U.S. company.

This project—a plan for up to 200 local directories in towns around Britain—is potentially one of the biggest print contracts in the country. Initially, the whole of the work looked likely to be placed outside Britain.

The talks with the Thomson Organisation were arranged by the National Economic Development Council's Printing Industries sector working party, which has been investigating why so many British printing contracts have been lost abroad.

Mr. Gordon Brunton, managing director and chief executive of Thomson British Holdings, said that when the company first put its requirements for the local directory project out to tender, not a single British printing company met its requirements.

The sector working party and Thomson representatives then examined why British printers had been unable to tender competitively for a contract, a print and paper order which could be worth at current prices between £30m and £35m by 1984.

As a result of these discussions, three British printers were drawn into the bidding.

Mr. Brunton said that Thomson executives with responsibility for awarding "tens of millions of pounds worth of print orders every year" then met the sector working party and explained why they were awarding so many contracts abroad.

The guidelines which resulted from these discussions mean that Thomson will favour British printers provided they can compete on price, guarantees of delivery, and continuity. If quotations from British printers are not competitive against foreign ones, Thomson will hold discussions and give them the opportunity to re-quote.

Debate on reform of CAP delayed

By Robert Mauthner in Paris

FRANCE and West Germany have agreed to delay talks on reforming the European Community's financing system and the common farm policy until the end of the year.

The agreement in principle was reached during the first meeting here last Sunday between M. Francois Mitterrand, the new French President and Herr Helmut Schmidt, the West German Chancellor. It is unlikely to please the British government which wants the Community budget problem to be settled as quickly as possible.

The Franco-German understanding does not mean that the two issues will not be dealt with at all at the European Council meeting in Luxembourg on June 29 and 30, at which the Commission is due to present the Heads of Government of the EEC with a report on the reform of the financing mechanism.

It was at M. Mitterrand's* France nor West Germany *expects any basic decisions to* be taken on this subject at *that meeting.

It merely implies that neither request that Herr Schmidt is understood to have agreed to a procedure under which the fundamental talks on Community financing and the reform of the common farm policy would take place at the European summit in London in November, rather than in Luxembourg at the end of June.

***The Luxembourg summit* takes place only two weeks *after the French* General Election and the French *President feels that* the new government, even if it has *been formed by* then, will not have had sufficient time to *discuss* it.**

The general atmosphere at the talks between the French and West German leaders was better than expected. Though M. Mitterrand is on record as rejecting the idea of an exclusive Paris-Bonn axis, he went out of his way to underline the importance he attached to the continuation of close relations.

The French were particularly pleased at Herr Schmidt's firm undertaking that the West German authorities would continue to support the French franc on the exchange markets and that Bonn was in favour of maintaining the present parities within the European Monetary System (EMS).

Chance of Opec unity blocked by Saudi stance

BY RICHARD JOHNS IN GENEVA

LEADING DELEGATES to the meeting of the Organisation of Petroleum Exporting Countries which began here yesterday virtually ruled out the prospects of a rational, co-ordinated pricing system for crude oil. But there remains a strong chance that the wide gap in prices charged by Opec members will narrow.

Saudi Arabia, which is now producing up to 40 per cent of the Opec total, appears determined not to raise its official selling rate of $32 per barrel as high as $36, the maximum agreed under the compromise reached at the last meeting held in Bali, Indonesia, last December.

Sheikh Ahmed Zaki Yamani, the Saudi Oil Minister, reasserted that his Government favoured a continued "freeze" in oil prices until the end of 1982. But that would not preclude Saudi Arabia raising Arabian light crude, traditionally the "marker" for other Opec crudes, from $32 per barrel anywhere up to the $36 maximum.

Sheikh Yamani yesterday suggested that Saudi Arabia might be prepared to increase the price of light to $34 per barrel.

Asked if Saudi Arabia would increase its price, Sheikh Yamani answered "if they reduce their price." Ambivalence is very much part of the fore-play before the tough bargaining starts in Opec.

One almost certain fact about Opec is that members will never lower official selling prices even if they cut premiums, as Kuwait and Qatar have been forced to this year. Asked whether they might do so now Sheikh Ali Khalifa al Sabah, the Kuwaiti Minister of Oil, said, "I very much doubt it."

Sheikh Yamani has evidently been instructed to take a tough line in bargaining on both prices and the related issue of Saudi Arabia's level of oil production. This is believed to be *runing at 10m-10.3m barrels* a day at a time when demand is *depressed*.

Saudi Arabia is expected to come under heavy fire, particularly from producers like *Nigeria and Libya which have* suffered from the glut. It has the backing of the *United Arab* Emirates but apparently failed *to win over Kuwait when Sheikh* Yamani held consultations with *Sheikh Khalifa al Sabah* in Riyadh last week.

Mr. Tayeh Abdul, Karim Iraqi Minister of Oil, said that his Government wished to increase exports from 1m barrels a day to 2m.

One concession that Saudi Arabia may well make to mollify the anger of other Opec members is to trim its output, perhaps by reimposing a ceiling of 9.5m barrels a day.

Their exports have recovered to as much as 2.5m barrels a day. Meanwhile, the surplus is running at 2m to 3m barrels a day in the second quarter, according to Sr Calderon, the Venezuelen chief delegate.

On Sunday night Sr. Humberto Calderon Berti, Venezuelan Minister of mines and hydro-carbons, said his Government was in favour of no increase this year *but any* future starting point would be $36.

UK price fall forecast

BY RAY DAFTER, ENERGY EDITOR

THE PRICE of North Sea oil —one of the highest oil prices in the world—seems almost certain to fall, irrespective of the outcome of the Opec meeting, according to European oil industry executives.

Several dollars may be cut from the official price of British Petroleum's reference Forties Field crude, currently $39.25 a barrel. It is possible to buy spot market cargoes of this type of crude for well under $35 a barrel.

The industry believes that British National Oil Corporation—the biggest trader of North Sea crude and *thus the* price setter—will be forced to *lower tariffs following the* Opec meeting. The reduction *could mirror a cut in* price agreed by the African members of Opec (among them Nigeria, Libya and Algeria) which produce high value crude similar to North Sea oil. Britain has always regarded itself as a price-follower. BNOC and other producers have set their rates to match those charged by the Africans.

In recent weeks the Energy Department and BNOC have come under pressure from refiners *complaining that* they cannot make a profit by processing North Sea crude and selling the products in a depressed, price-sensitive European market.

***Even integrated companies* with substantial North Sea *production have* claimed that their overall operations would benefit from a price reduction.**

CONTENTS

OVERSEAS NEWS

Syria shoots down another Israeli spy aircraft

BY DAVID LENNON IN TEL AVIV AND ANTHONY McDERMOTT IN DAMASCUS

AN ISRAELI reconnaissance aircraft was shot down over Syria yesterday, only three days after a similar spy plane was hit by Syrian missiles while flying over the Bekaa Valley in Eastern Lebanon.

The latest incident may heighten the tension over the Lebanese missile crisis. The aircraft was the first admitted by Israel as shot down over Syria since the 1973 war.

An Army spokesman in Tel Aviv confirmed the pilotless Drone had been shot down. Israel has lost three Drones, which are used for photography, in less than two weeks, but apparently considers this a small price to pay for the intelligence information which the planes collect.

The spokesman claimed that all three Drones were hit by anti-aircraft missiles stationed in Syria and said that the Drone hit yesterday was on routine patrol over the Bekaa Valley. He admitted that it may have fallen on the Syrian side of the border. The military command in Damascus said the aircraft was shot down in the area of Zabadani, 18 miles north-west of the Syrian capital.

There was no sign yesterday that Mr. Philip Habib, the special U.S. peace envoy, has made any substantial progress in resolving the four-week-old missile crisis.

Although Mr. Menahem Begin, the Prime Minister, said that no time limit had been set for Mr. Habib's mission, there were indications that Israel is beginning to lose patience over his failure to persuade Syria to withdraw its missiles from Lebanon.

Mr. Habib was waiting in Jerusalem yesterday to hear the results of a weekend meeting in Saudi Arabia between Mr. Rif'at Assad, the brother of the Syrian President, and Saudi leaders, who have been deeply involved in efforts to end the crisis. The outcome of the meeting will determine the next move of the U.S. envoy who is awaiting some indication that he will be invited to travel again to Damascus.

● Three foreign embassies came under rocket attack in Beirut yesterday, Ihsan Hijazi reports. Four rockets hit the U.S. Embassy building. Shortly after, rockets were fired against the Egyptian and Sudanese Embassies, but no one was hurt.

● Arab Foreign Ministers, who concluded an emergency meeting in Tunis at the weekend, have announced they will fight beside Syria if Israel attacks.

Greek Cypriots reject Kyprianou

BY OUR FOREIGN STAFF

CYPRUS FIRMLY rejected the policies of President Kyprianou in Sunday's general election, and with counting still going on last night it appeared that the Communist Akel party would hold the highest number of seats in the new House, though without an overall majority.

The election, the first in Cyprus using proportional representation, involves only the formally recognised Greek Cypriot south. Elections in the north, held by the Turks since the 1974 invasion, are due next month.

Both Akel and the right-wing Democratic Rally were predicting victory last night. With two-thirds of the votes counted, Akel had taken 33 per cent, the Rally 31 per cent and President Kyprianou's Democrats slightly under 20 per cent.

If the trend is confirmed today, this would give Akel about 14 seats in the 35-member House, with the Rally taking 12 and the Democrats nine.

The Communists have promised to remove foreign troops from the island, which would mean the dismantling of the British sovereign bases. The Rally party led by Mr. Glafcos Clerides, a former Kyprianou aide, is firmly pro-Western.

Presidential elections are not

Differences emerge at meeting of Gulf states

By Roger Matthews in Abu Dhabi

THE six Arab leaders attending yesterday's inaugural session of the Gulf Co-operation Council in Abu Dhabi are likely to settle for a minimum level of agreement in order to avoid differences emerging publicly.

The foreign ministers of Saudi Arabia, Kuwait, the United Arab Emirates, Oman, Qatar and Bahrain were forced into an unscheduled meeting in the afternoon after failing to complete their preparatory talks on Sunday evening.

An official spokesman insisted that there had been total agreement between all the participants, but others have spoken of sharp differences of approach between Oman and Kuwait.

On the critical issue of Gulf security Oman is believed to have prepared proposals for the defence of the Strait of Hormuz in co-operation with the U.S. Navy.

Kuwait is the most strongly opposed of the oil producers to any hint of a formal defence arrangement with Washington, particularly one which might open the door for U.S. troops to be stationed in the region.

The powers and composition of a planned tribunal to settle disputes between the member states, especially on still unresolved border questions, is also causing problems.

The heads of state are therefore likely to concentrate on less contentious issues and settle for a broadly-worded final communique which will stress the need to prevent the Gulf becoming an area of superpower confrontation.

Alan Mackie reports from Cairo: Sudan formally ended its estrangement from Egypt by giving President Sadat a hero's welcome when he arrived in Khartoum for yesterday's celebrations marking the anniversary of the coup which brought President Nimeiri to power 12 years ago.

The rapprochement was taken a step further when the Sudanese President called for an Arab summit in which Egypt would iron out its differences with the Arab world over its peace treaty with Israel.

Pisani named for Brussels

By John Wyles in Brussels

M EDGARD PISANI, the former Minister of Agriculture under President de Gaulle, will be formally nominated today as France's replacement at the European Commission. He takes over from M Claude Cheysson, who was appointed President Francois Mitterrand's Foreign Minister last Friday.

M Pisani, 62, may attend his first Commission meeting tomorrow. The key question to be settled is whether he should take over M Cheysson's responsibility for the development portfolio. Paris is believed to have told M. Gaston Thorn, the Commission President, that the French Government would prefer this, which means that Britain's Mr Ivor Richard may have little chance of swapping his Social Affairs responsibilities for Development.

When the 14 Commissioners parcelled out their jobs last January, Mr. Richard said he wanted to be considered for the Development job if it became vacant.

Mitterrand in talks with Communists

BY DAVID WHITE IN PARIS

SPECULATION about the future of Socialist-Communist relations in France built up yesterday when President Francois Mitterrand held talks with leaders of the four main parties in the National Assembly.

M Georges Marchais, secretary-general of the Communist Party, said later that he and M Mitterrand had discussed a wide range of domestic and international topics and that the Communists were "ready to take up our responsibilities in the Government and at all levels."

His comment was consistent with a series of low-key reminders by the Communists that, despite their low score in the first round of the presidentials, they have not given up their claims to Cabinet posts.

Although the Government team announced on Friday had several names from outside the Socialist Party—including M Michel Jobert, former Foreign Secretary, and Trade Minister—it made no concession to the Communists' demands.

Discussions between the two parties are due to open on Wednesday on terms for an electoral pact for the National Assembly ballot next month.

While M Mitterrand made a conciliatory gesture by inviting M Marchais before the other party leaders, the Socialists made it clear yesterday that they were taking a tough stance and were not prepared to compromise, especially on foreign policy issues such as Afghanistan.

At a Socialist Party convention to prepare for next month's election, M Lionel Jospin, the new leader, repeated a series of conditions that the Communists would be required to fulfil, including a declaration of solidarity with the Government.

The centre-right parties from the current Assembly majority have already put together an electoral pact, fielding just one candidate between them in almost three-quarters of France's mainland constituencies. The agreed candidates include most of the last Government, among them M Raymond Barre, former Prime Minister, and M Jean-Marie Poirier, the ex-presidential spokesman.

M Jacques Chirac of the neo-Gaullist RPR, and M Jean Lecanuet of the centrist UDF, also held talks with M Mitterrand yesterday, followed by M Jospin.

M Lecanuet said he and M Mitterrand had convergent ideas on some international problems.

Cheysson, a champion of the Third World

BY OUR PARIS STAFF

M. CLAUDE CHEYSSON, the new French Foreign Minister, is the best known internationally of President Mitterrand's team. After spending eight years as EEC Commissioner in charge of relations with developing countries, and much of the rest of his career in Africa and Asia, he is expected to impart fresh momentum to this sphere of foreign policy—much to the satisfaction of the lobby of "third worlders" close to M. Mitterrand

The most eloquent demonstration of the 61-year-old Commissioner's reputation is the simple fact that former President Giscard, despite M. Cheysson's Socialist sympathies and his lack of discretion on the subject at the time of the 1979 European elections, twice confirmed him in the post.

He was rumoured to be in line for a Ministry portfolio in a period when people were talking about M. Giscard's ambitions for widening the political base of his Government and perhaps bringing in some more Left-leaning figures.

M. CHEYSSON yesterday signalled a reorientation of the country's policy towards South Africa. But he stopped short of commiting France to sanctions against the Republic on the Namibia issue.

M. Cheysson told an international conference on sanctions against South Africa: "We must continually and repeatedly condemn, both in international organisations and our personal relations, all those who accept racism."

In his first policy statement since becoming Foreign Minister, M. Cheysson said his Government would fight all forms of discrimination. But at no point in his speech did he mention either South Africa or Namibia by name.

Even so, he received a rapturous welcome from delegates to the conference which is jointly organised by the United Nations and the Organisation of African Unity.

An official of the African National Congress, which is fighting a guerrilla war in South Africa, said: "We think that France is committed to a path diametrically opposed to that of the previous regime. Of course, the translation of that position into practical details is not something which can be done today or tomorrow."

Like all of M. Giscard's three Foreign Ministers, M. Cheysson is a professional diplomat. But he is no newcomer to politics, having served in 1954 as chief aide to Socialist Premier Pierre Mendès-France: nor to controversy, having been persona non grata at the Foreign Ministry for a while as a result of critical reports on France's Algeria policy.

Ambassador in Indonesia in the late 1960s—his last diplomatic post—he then headed the country's first State-run chemical concern before being sent to Brussels in 1973.

Like M. Giscard, M. Cheysson is a graduate both of the Polytechnique—the illustrious "X"—and of the Ecole Nationale d'Administration, stable of top French civil servants. And he can trump that with the Ecole Normale Supérieure, whose other alumni range from Socialist leaders Jaures and Blum to President Pompidou.

Delors to take moderate line on economics

BY TERRY DODSWORTH IN PARIS

THE CHOICE of M. Jacques Delors as Economics Minister is a clear sign from France's new Socialist Administration that it wants to govern from centre-Left in economic matters.

M. Delors may be a committed party man today, but he won his spurs in the "New Society" Government led by the Gaullist M. Jacques Chaban-Delmas, only joining the Socialists seven years ago. He once said that if he had to opt for more democracy or more socialism, he would choose the former.

His main attachment to the Left comes from his interest in social affairs, aroused as a Catholic trade unionist at the Bank of France. An economics graduate, he took these ideas on reform to the Planning Commission, where he worked on union questions and education. From there he joined M. Chaban-Delmas—after considerable hesitations—to push through a series of longterm wage agreements in the public sector that are widely credied for an era of comparative peace on the shop floor.

After the Gaullist period, M. Delors, 56, moved back to the Left, but without becoming a leading platform figure in the Socialist Party. Although elected to the European Parliament, where he took over the chairmanship of the economic committee, he has remained essentially a back-room thinker, analysing international economic problems and taking part in technical debates rather than entering the rough and tumble of grass-roots politics.

He remains keenly interested in trade union affairs, arguing recently, for instance, that France was suffering from wages anarchy—a clear indication that he will expect the unions to pay a price for the improvements in conditions and working hours promised by the Socialists.

Confusion grows after police end Barcelona siege

BY OUR FOREIGN STAFF

SR. LEOPOLDO Calvo Sotelo, the Spanish Prime Minister, yesterday came under strong opposition pressure to appear before Parliament to clear up confusion surrounding the weekend siege at the Banco Central in Barcelona. The siege ended on Sunday night when special anti-terrorist units successfully stormed the building.

The dispute over the number, political affiliation and identity of the gunmen threatens to blow up into a major political row. The gunmen held up to 230 hostages in the bank and demanded the freedom of four army officers indicted for their part in last February's abortive coup attempt.

Police have started rounding up extreme Right-wingers in Barcelona yesterday. Six were still being questioned last night, among them Sr. Alberto Royuela, an influential local neo-fascist. In the past he has been implicated in the organisation of training camps for right-wing extremists.

Throughout the siege, Government officials described the gunmen, originally thought to number 24, as extreme right-wingers. There were also reports, given credence by the Spanish national news agency, Efe, that two Civil Guard officers who had taken part in the February 23 seizure of Parliament were involved in the siege.

Following the release of the hostages, however, Government spokesmen reduced the number of gunmen to 11 and said they were lightly-armed "common delinquents and anarchists." The Spanish Interior Ministry later gave the number of gunmen as ten—including one who was killed in the rescue—and denied that any of the attackers had escaped.

The attack took place three months to the day after the February 23 coup attempt, and just five days before celebrations in Barcelona of "Armed Forces Day." This celebration—attended by the King, leading Cabinet ministers and opposition leaders, and never before held in the Catalan capital—is regarded by Government and opposition alike as an important test of current relations between the military and civilian institutions and opinion.

Sabotage in South Africa linked to anniversary

By Quentin Peel in Johannesburg

A SOUTH AFRICAN police station was attacked by gunmen armed with automatic weapons and hand grenades yesterday and two commuter railway lines and an electricity power line were sabotaged in a series of violent incidents apparently linked to the forthcoming twentieth anniversary celebrations of the South African Republic.

The incidents all occurred on the day planned as the first of a three-day nation-wide protest by black organisations refusing to participate in festivities which lead up to Republic Day next Sunday.

The boycott campaign is being organised by the banned African National Congress (ANC), black community movements, and the Inkatha organisation of Chief Gatsha Buthelezi, the Chief Minister of the Zulu tribal homeland.

The police station at Fort Jackson outside East London was attacked early in the morning by men who threw hand grenades and shot several bursts of fire with Soviet-made AK-47 rifles. The attack was followed by an ambush nearby on the Commissioner of police of the neighbouring Ciskei tribal homeland in which one policeman was shot in the leg.

The railway lines between Johannesburg and the black township of Soweto and between Durban and the black township of Umlazi were meanwhile sabotaged, delaying black commuters. In both cases several unexploded devices were found by the police.

At Vrede, in the Orange Free State, saboteurs threw a cable across electricity power lines, cutting them in five places.

In spite of the incidents the boycott campaign did not appear to have made a serious impression yesterday. Blacks say that the Republic Day festivities are an insult to the disenfranchised majority, but some black leaders have misgivings about the tactics of a boycott campaign. The campaign nevertheless underlines the revival of an ANC underground organisation inside South Africa.

Dutch coalition expected to retain power in election

BY CHARLES BATCHELOR IN AMSTERDAM

THE Centre-Right coalition which has governed the Netherlands for the past four years, could remain in power after today's election, according to the latest opinion polls.

The result of the election, which is being contested by 29 parties, is highly uncertain with one in five of the 9.5m electorate still undecided over how to vote, the NIPO polling organisation said.

The Christian Democratic Party of Prime Minister Mr. Dries Van Agt is likely to lose some of its 49 seats in the Lower House. But its coalition partner, the Right of Centre Liberal Party, could win more than its present 28 seats. A loss of only one or two seats for the Christian Democrats, coupled with gains by the Liberals, would give the present Government a small majority in the 150-seat Lower House.

Recent polls have been more promising for the coalition than had been earlier suggested. On the basis of the latest polls the Christian Democrats and the Opposition Labour Party would be equally matched in Parliament. The smaller Left of Centre Democratic Party, for which large gains had been forecast, now looks set to make only modest gains.

The attitude of the next Dutch Government to NATO's plan to station Cruise and Pershing 2 missiles in Europe is the major concern of the Netherlands' alliance partners. But with party attitudes known well in advance, it has not been a major subject in the many television debates between the leaders of the four big parties.

Only the Liberal Party is unequivocally in favour of the NATO plan. The Christian Democrats are divided, while the Left-wing parties are opposed to the Netherlands accepting the missiles on its soil.

Today's election is only the first step towards deciding the composition of the next Dutch Government. It may be followed by months of negotiations between the parties to establish a workable majority in Parliament.

A record seven months of talks followed the 1977 election and led to the exclusion of the Labour Party from Government, despite it being the largest party.

An ordered society under pressure

BY CHARLES BATCHELOR IN AMSTERDAM

Prime Minister Andries van Agt: faces test today

THE DUTCH have spent 35 years constructing a carefully-ordered social democracy which, they believe, is without parallel in Western Europe. But the 9.5m Dutch men and women entitled to vote in today's general election are aware that their achievement is under attack.

Disillusionment prevails. Wealth, largely generated by gas revenues, has awakened expectations that cannot be fulfilled. Lowering the age at which a person has a right to his own accommodation from 21 to 18 was a gesture but it has doubled the housing shortage. Raising the level of unemployment and disability benefits to 80 per cent of a person's last salary has done little to increase the incentive to work.

Despite its small size, the Netherlands has pursued an active foreign policy of committing 0.93 per cent of Gross National Product to development and, more than most other countries. Foreign policy has not, however, claimed much attention in the election campaign. Only defence, especially the question of whether the Netherlands would support NATO's plan for modernising its European nuclear arsenal, has become a major issue. Opinion polls show a majority is opposed to the Netherlands taking its allocation of 48 Cruise missiles.

The present Government could not gain a majority in Parliament in favour of the missiles and was obliged to delay a decision until next December. Dutch opposition to the NATO plan has prompted criticism abroad and the charge that the Netherlands wants others to bear the financial and moral burdens of its defence.

It is housing that has become the focus for protest. House building fell from a post-war peak of 155,000 in 1973, to only 88,000 in 1979. Construction is now starting to rise again as the Government makes extra funds available but the backlog will take years to clear.

As the housing programme declined, regulations have proliferated. Many towns and villages will only accept newcomers who can meet detailed conditions.

In Amsterdam, with its housing list of more than 50,000, and other large cities the problems are at their most acute. The riots which attended the inauguration of Queen Beatrix just over a year ago and the series of pitched battles between squatters and police have given squatting a violent image.

The traveller in the Netherlands could be forgiven for missing the signs of economic recession. Large road and rail projects are under way while in the south-western province of Zeeland, the Fl 10bn (£1.9bn) Delta project intended to protect 2m people from flooding, is nearly finished. Even in the province of Groningen and Limburg, where unemployment is at its highest and industry has suffered most from the recession, visible signs of decay are missing. Regional aid has helped distribute resources.

Yet the country's economic fabric is under attack. The large Government budget deficits can only be financed as long as foreign investors retain confidence in the Government's policies and the guilder. The Netherlands has already been relegated to the second division of the financial league, Dr. Jil Zijlstra, the Central Bank president, warned recently. A faltering export performance has helped push the Netherlands into a deficit on its balance of payments current account in the past three years.

The average Dutch worker has felt the recession less in his wage packet—though earnings are now subject to Government controls—than in the increased risk of losing his job. Unemployment has risen 65 per cent in the past year to a post-war peak of 334,000.

If the Netherlands cannot compete abroad, one reason advanced is the high social welfare payments companies must make. Government and social security spending, as a percentage of GNP, is higher and is growing more rapidly than in the major Western European countries.

This spending accounts for 50 per cent of GNP in the Netherlands compared with 39 per cent in Britain and 42 per cent in Germany. With only 4m of the 14m Dutch population working—within the EEC, only Ireland and Greece have a lower percentage — the burden on the employed is very high.

The welfare system, largely financed by natural gas revenues, has been blamed for removing the incentive to work. Worse still, its critics claim, the system is much abused. A recent poll showed 77 per cent of those interviewed felt the system was abused.

The Netherlands has absorbed successive waves of immigrants with relative ease for several centuries. Young extremists from the strongly independent South Moluccan community staged a series of hostage-takings in the late 1970s but Indonesian immigrants as a whole have integrated well.

The influx of voluntary exiles from the former colony of Surinam and the large number of *gastarbeiders* from the Mediterranean countries has created yet greater strains on available housing and jobs.

The strength of Dutch society has lain largely in its ability to tolerate dissent, modify the rules where necessary and finally absorb dissenters. This has been relatively easy to achieve in a time of economic expansion but is now becoming more difficult. The Government which emerges from Tuesday's election will not be able to spend itself out of taking some hard decisions.

Ecuador's President killed as aircraft crashes in fog

BY SARITA KENDALL IN QUITO

PRESIDENT Jaime Roldos of Ecuador was killed yesterday in a plane crash in the southern province of Loja. The President's wife, the Minister of Defence and six other people also died on board the presidential Avro, which hit a mountainside in fog.

Sr. Roldos, 40, took over the presidency 21 months ago, setting Ecuador among South America's few democracies after nearly 10 years of dictatorship.

Sr. Osvaldo Hurtado Larrea, the Vice-President, has taken over the presidency and Congress is to elect a new Vice-President. Sr. Hurtado, 41, is leader of Ecuador's Popular Democracy Party, the only political grouping to support the Government after splits in Sr. Roldos' Populist movement.

Until now, he was head of the National Development Council, responsible for designing and carrying through the Five Year National Plan. He is an ex-university professor and has written some of the most important social science texts on Ecuador.

Despite growing economic and political problems, Sr. Roldos' personal popularity remained strong. He took a firm position on human rights in Latin America, and adopted an independent foreign policy, supporting, for example, the new Nicaraguan Government. But the fighting with Peru earlier this year and the takeover of the Ecuadorean Embassy in Havana led to changes in the administration's international outlook.

At the same time falling oil prices reduced Ecuador's foreign income and rising inflation fuelled protests from trade unions.

Italians in scandal talks

By James Buxton in Rome

ITALIAN politicians had urgent talks yesterday to decide the fate of Sig Arnaldo Forlani's four-party Government following the Freemasons Lodge scandal. But a crucial meeting of the coalition secretaries has been postponed because Sig Bettino Craxi, the Socialist Leader, refused to attend.

The scandal broke with the publication of nearly 1,000 names in the Masonic Lodge which is thought to have been a centre of clandestine power.

Sig Adolfo Sarti, the Christian Democrat Minister of Justice, resigned at the weekend after allegations that he had applied to join the Lodge, which is the subject of a judicial inquiry.

Bid to oust Bolivia leader

BY HUGH O'SHAUGHNESSY

MODERATE right-wingers in the Bolivian Armed Forces yesterday called for the resignation of General Luis Garcia Meza, the President, as Colonel Emilio Lanza, a paratroop commander seized control of Bolivia's second city Cochabamba.

Col. Lanza said he favoured power being handed over to General Hugo Banzer or General Alberto Natusch Busch, both former presidents. Col. Lanza said General Garcia Meza had to go because Bolivia had been "insulted and humiliated" by drug-trafficking.

Last week, General Garcia Meza halted army action against drug trafficking. Narcotics, principally cocaine, have become one of Bolivia's most important export items.

WORLD TRADE NEWS

UK wins £150m hospitals package from Saudi Arabia

BY PAUL CHEESERIGHT

BRITISH companies are to provide medical services for the Saudi Arabian National Guard under the terms of a contract worth £150m over the next two years. Opportunities for further business are likely to emerge after that period.

The contract, signed over the weekend by Prince Abdullah, the Saudi second Deputy Prime Minister and Commander of the National Guard, and Sir James Craig, the British Ambassador in Riyadh, brings to an end two years of negotiation.

It is the largest single piece of business won by the UK in Saudi Arabia since the showing of the British TV film, "Death of a Princess" soured diplomatic relations during the spring of 1980.

The prime contractor is International Hospitals Group, a London company established to co-ordinate the British approach in bids for major contracts.

The first stage of the contract is to commission and operate a 500-bed hospital, built by Belgian companies in Jeddah for the National Guard. This part of the deal is worth £150m over two years from next September.

But the UK is also to prepare and execute a detailed plan for the modernisation and development of the Guard's medical services. This should involve substantial orders for goods and services stretching beyond the first stage of administration at the Jeddah hospital.

The sub-contractors involved in the contract will provide a range of services running from accountancy and architecture to specialised consultancy work.

Ten companies are involved: International Aeradio, Grand Metropolitan, Wellcome Foundation, IHG (Medical Services), PA Management Consultants, Peat Marwick and Mitchell International, International Laboratory Services, Cusdin Burden and Howitt, Donald Smith, Seymour and Rooley and Hanscomb International.

Negotiations were handled by the Ministry of Defence Sales Organisation, supported by the Department of Health and Social Security. The main competition came from Belgium, France and the U.S.

The Government has been putting considerable political weight behind British efforts to win major project contracts in Saudi Arabia. The most recent instance was the visit of Mrs Thatcher, the Prime Minister, to Riyadh, last month.

Her visit may have helped bring the negotiations to an end, and the timing may also be connected to the visit King Khaled is making to London next month.

● Dragages et Travaux Publics announced in Paris that it had won from the Saudi Ministry of Health a $205m contract for the construction of four hospitals. The work will be carried out in association with El Seif Engineering Contracting of Riyadh.

India in 'agreement' with France on Mirages

By D. P. Kumar in New Delhi

INDIA HAS reached agreement in principle with Avions Marcel Dassault-Breguet of France to buy the Mirage 2000 fighter aircraft in order to meet the future requirements of the Indian Air Force, the Indian Defence Ministry said yesterday.

A Ministry spokesman confirmed that drafts of the protocol listing the terms and conditions of the sale, associated exchanges of technology, the schedule of deliveries and the method of payment were now under examination by the Ministry and Dassault-Breguet.

The decision on the acquisition of the French-built combat aircraft was taken at the highest levels of the Indian Government, Ministry officials said.

The move followed extensive study of the aircraft by teams of aviation and defence experts considering the needs of the Indian Air Force in the 1980s and 1990s, they said.

Dassault-Breguet was also prepared to share with India the research and development required to manufacture a Mirage-4000 aircraft and in related fields of avionics.

Our Foreign Staff Adds: While further details of the deal were not disclosed, M Marcel Dassault, head of the French aircraft group, said recently that India was considering buying 150 Mirages. A plan to manufacture the aircraft under licence was presented to the Indian authorities last year following suggestions that the Indian Government might drop part of a £1bn contract to buy the Anglo-French Jaguar aircraft.

Should the India-France deal receive final approval, it would likely be at the expense of 120 Jaguars, which British Aerospace, the UK partner in the Jaguar project, which is responsible for the Indian deal, had already contracted to have built in Bangalore. This deal was negotiated under the former Janata Government in India as part of a package that also included the direct sale of 40 Jaguars and shipment of another 45 in completely knocked down kit form. The deal was put under review with the return of the Ghandi Government.

Reagan aide calls for EEC cuts

BY JOHN WYLES IN BRUSSELS

A REAGAN Administration offensive for greater trade liberalisation and cuts in EEC agricultural export subsidies was vigorously confirmed here yesterday by Mr Bill Brock, the President's special trade representative.

Making his first visit to Europe since taking office, Mr. Brock's outline to the European Commission displayed a determination to attack on a number of fronts.

If carried through, the Administration could bring new tensions into its relations with the EEC, but officials on both sides were confident that the relationship was strong enough to produce harmony on issues which have been under discussion for some time.

Mr Brock's public comments yesterday are nevertheless bound to cause some surprise in member states. Among other things:

● He called for changes in the Common Agricultural Policy to phase out farm export subsidies;

● He warned that the U.S. was ready to fight an export credits war if there was no international agreement later this year to cut the interest rate subsidies governments are paying.

● He called for new negotiations in the General Agreement on Tariffs and Trade to reduce government protection against the free movement of services such as banking and insurance.

Some member states, notably France the Community's biggest food exporter, could well be upset by Mr. Brock's attack on the CAP which is expected to be followed up tonight when Mr. John Block, the U.S. Secretary for Agriculture, meets Mr. Paul Dalsager, the EEC's Agriculture Commissioner.

Mr. Brock argued that the Reagan Administration's budget this year would eliminate export subsidies and direct payments to farmers. Most producing countries were expected to produce "healthy" surpluses of cereals this year, he said.

The EEC's internal policies are not the U.S.'s concern but its export policies must contribute to an equitable trading system and this could only be achieved by phasing farm export subsidies.

"The liberalising of trade is important to all of us," said Mr. Brock who warned that the U.S. would consider lengthening the repayment period on loans for exporters and offering broader guarantees for contracts if there was no agreement on credits this year within the Organisation for Economic Co-operation and Development.

He said: "These are options we would rather not need but it is in all our interests to seek a solution to this problem as urgently as possible."

Mr. Brock's talks helped smooth over recent abrasions caused by the agreement in Tokyo limiting Japan's car exports to the U.S.

The Administration is to look at possible ways to deal with claims by EEC steel exporters that they are being shut out of the U.S. market.

Parkinson bid to attract Soviet contracts

BY PAUL CHEESERIGHT, WORLD TRADE EDITOR

POLITICAL obstacles to the growth of trade with the Soviet Union should be removed tomorrow when Mr. Cecil Parkinson, the Minister for Trade, meets Mr. Vladimir Sushkov, the Soviet Deputy Minister of Foreign Trade for talks in London.

Their meeting, within the British-Soviet Joint Commission on Trade Co-operation, will raise a political umbrella under which Soviet officials will feel less hampered in granting orders to UK companies.

British industrialists see this as the main benefit of what would otherwise be a routine meeting. They believe that without the meeting of the Commission, they would be at a competitive disadvantage.

The last Commission meeting was in October 1979. Last year's meeting was cancelled as a sign of the Government's coolness towards the USSR in the wake of the Soviet invasion of Afghanistan.

Groundwork for the London meeting was laid when Mr. Gavin Dick, the Under-Secretary for Trade, went to Moscow for talks last January.

The timing of this week's talks is considered ideal by industrialists, who note that the first orders under the 1981-85 Soviet Five Year Plan should start coming through within the next two to three months.

It is being suggested that during the period of the Plan, British industry could receive inquiries worth about £1bn, from which definite orders worth between £200m and £400m could come.

The biggest single project under the Plan is the Siberia-West Europe gas pipeline. But, as there are no plans for the UK to buy Soviet gas, orders for British industry springing from this project are likely to involve mainly ancillary equipment.

Talks with British companies are still at a preliminary stage, but it is believed that plans by Rolls-Royce to sell turbines have run into difficulties over credit terms.

This is a reflection of the Government's attitude to the resumed meetings of the Commission. It is maintaining its policy of permitting trade which is held to be mutually advantageous and does not involve the sale of strategically sensitive goods, but it will not countenance the provision of concessional credits to the USSR.

Last year the Government refused to roll over a five-year £950m credit made by the Wilson Government, of which £550m had been taken up. This carried an interest rate of up to 7.45 per cent. Since then the minimum internationally agreed export credit rate for countries like the USSR has risen to 8.0-8.5 per cent.

Boycott call on UK groups in South Africa

By Mark Webster in Paris

INTERNATIONAL anti-apartheid movements are organising a boycott of 74 multinational companies which do business with South Africa, starting with a British company, Plessey.

Plessey is singled out in a report by the British Anti-Apartheid Movement following the airlift from the UK this month of a mobile radar system and control unit which, the movement says, is destined for use by the South African Air Force.

At the International Conference on sanctions against South Africa in Paris, an official for the Anti-Apartheid Movement said the airlift of the radar system was a clear breach of the 1977 mandatory arms embargo adopted by the UN.

The British Government has not yet replied to a question in the House of Commons about the exact purpose of the radar. The question was put by Mr. Robert Hughes, MP, chairman of the British Anti-Apartheid Movement.

Plessey has a substantial interest in black Africa and the anti-apartheid movements are approaching individual governments to persuade them to re-think their contacts with the company.

"Multi-national companies have not forgotten the lesson of Nigeria's nationalisation of BP's interests in Nigeria in August 1979," said an anti-apartheid spokesman. "They are still very sensitive on the subject."

A series of profiles of companies doing business with South Africa was presented to the conference, which ended at the weekend, and includes many of the biggest British companies

Carrington visit designed to boost Algerian ties

BY OUR WORLD TRADE EDITOR

LORD CARRINGTON, the Foreign Secretary, goes to Algeria today on an official visit, underlining the importance attached to a country which has emerged as a Third World leader and whose influence is growing among Middle East oil producers.

Algeria offers Britain a rapidly growing market. The country's imports are expected tot rise at 6 per cent a year under the 1980-84 Five Year Plan which, with a budget of more than £40bn, is one of the most ambitious in the Middle East.

Lord Carrington's talks in Algiers, which extend a series of two-way Ministerial visits, are expected to strengthen diplomatic links further.

The British share of the Algerian import market has remained at around three per cent, while West Germany, Italy and Japan have expanded sales. This has reduced the French share of the market from 50 per cent in 1970 to 25 per cent last year.

A survey of British firms with Middle East connections, conducted by the Committee for Middle East Trade (COMET)*, shows that companies have been handicapped by an inadequate capability to conduct business in French.

There has been a lack of co-ordination in some companies between divisions responsible for different geographical areas.

COMET says this "may be reducing their ability to draw the maximum benefit from the contacts and skills available within the company."

But the survey did not show that British companies were having difficulties with the Algerian tender system, which can be very short-dated. The main problem has been that of effective representation in Algeria.

The necessity to deal directly with the state trading system and the fact that local agents are forbidden means that effective representation can only be achieved "by very regular visits to the market by setting up a bureau de liaison staffed by British expatriates," COMET observes.

Direct representation is now all the more necessary because of the moves towards decentralisation within the Algerian Government.

**The 1980-84 Algerian Five Year Plan (Committee for Middle East Trade, London, £5).*

Philips disc system draws two more audio groups

BY CHARLES BATCHELOR IN AMSTERDAM

PHILIPS, the Dutch electrical group, has announced that a further two audio equipment manufacturers — Grundig of West Germany and Thomson Brandt of France—have decided to use its audio compact disc system.

This brings to ten the number of companies to opt for the Philips system, which the company expects to bring on to the market at the end of 1982. The other companies are Akai, Crown, Matsushita, Nakamichi and Nippon Columbia of Japan, B and O of Denmark, Dual of the UK and Revox of Switzerland. Thomson Brandt owns Saba and Nordmende of Germany.

Philips disclosed, however, that the digital audio disc standardisation conference, grouping 45 manufacturers, had been unable to reach agreement on which compact disc system to recommend. In January, Philips forecast that its disc would be adopted

World Economic Indicators

FOREIGN EXCHANGE RESERVES (US$m)

	Mar. 1981	Feb. 1981	Jan. 1981	Mar. 1980
UK	18,487	18,614	18,716	18,325
U.S.	11,900	11,783	10,662	5,373
Belgium	4,789	6,153	6,471	2,766
W. Germany	45,949	42,758	44,364	41,165
Japan	23,341	22,994	22,724	14,607
Italy	16,384	19,043	20,480	17,982
Netherlands	9,656	9,587	9,911	7,294
France	27,759	27,424	26,490	19,331

Source: IFS

SHIPPING REPORT

Atlantic grain rates steadier

BY OUR SHIPPING CORRESPONDENT

THE DECLINE in rates in the transatlantic grain rates levell transatlantic grain trades levelled out last week with a low point of $12 per tonne being reached for 60,000 deadweight tonne vessels on the U.S. Gulf-Continent route.

The extent of the collapse in dry freight can be seen by the fact that in the U.S. Gulf-Continent grain trades Panamax vessels are getting nearly 50 per cent less per tonne than they were last December. In the U.S. Gulf-Japan trade the decline has been less marked. Nonetheless, rates have come back from last December's peak of $35 per tonne, for 50,000 tonners, to $25 per tonne, which is above the lowest levels reached earlier this month.

The main problem for the market has been the prolonged U.S. coal miners' strike. Prior to the strike over 100 vessels were effectively taken out of the market because they were queuing for coal off the congested U.S. East coast coal ports. These vessels have re-entered the market and the absence of coal traffic has led to them switching into the grain trades and depressing rates.

Another contributory factor has been the lifting of the U.S. embargo on grain sales to Russia. The embargo had caused distortions in the market and led to more tonnage being required to move the same amount of grain as before. The removal of the distortions has increased the supply of dry bulk tonnage and helps explain the transformation in market sentiment. The overdue reaction in the market has materialised.

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Britain asked to seek world oil price cut

BY RAY DAFTER, ENERGY EDITOR

BRITAIN has been urged to take a lead in reducing world oil prices. The call is in an oil and energy report prepared by the stockbrokers Panmure Gordon. It mirrors the view of a number of big oil companies.

The brokers say that in the present weak oil market conditions North Sea prices are too high. A reduction would be welcomed not only by the refinery industry, which was hit by high feedstock costs, but also by European countries which received much of Britain's exported oil.

Panmure Gordon says that the UK economy would not necessarily suffer from such a move. A consequent weakening of sterling against other currencies would help exporters.

The report was published on the eve of the Organisation of Petroleum Exporting Countries' price-fixing meeting now being held in Geneva. It says that a lowering of prices by the British National Oil Corporation, the leading trader in North Sea crude, would strengthen Saudi Arabia's position on price moderation.

The official price of British Petroleum's Forties Field crude oil, regarded as the UK reference price, is $39.25 a barrel. The rate is in line with prices for similar oil charged by Nigeria, Libya and Algeria.

As a result of the glut of oil in the world market, the spot price of North Sea crude had fallen to below $35 a barrel by the end of last week.

Panmure Gordon believes that in time the price of high-quality African and North Sea crudes will be brought closer to the OPEC marker price, set for Saudi Arabian light crude.

At the end of 1978 Forties Field oil was valued at $14 a barrel, just $1.30 above the OPEC marker price. As at the weekend, before the OPEC session, North Sea crude cost $7.25 more than Saudi Arabia's $32 selling price for Arabian light crude.

Traditionally the UK has followed the price movements of OPEC members. "Precedents should now be overturned, and the UK should take the lead on price," says Panmure Gordon.

Gas plan dithering causes anarchy, says Dow chief

BY SUE CAMERON, CHEMICALS CORRESPONDENT

A BITTER attack on those in charge of Britain's planned £2.7bn North Sea gas-gathering system has come from the head of Dow Chemical Europe, who claims the project is in a state of "anarchy."

Dow has accused the project's organising committee—whose leading members come from British Gas, Mobil and British Petroleum—of being neither "strong enough nor representative enough" to get the scheme off the ground.

Mr. Frank Popoff, president of the U.S.-based Dow Chemical Europe, said at the weekend that this has turned negotiations over the financing and building of the pipeline into a "Tower of Babel." He added: "Right now we have anarchy on our hands."

The U.S.-based group stressed that it could not wait indefinitely for the organising committee and the UK Government to "get their act together" on the pipeline.

There is speculation within the chemical industry that Norway, which has proposals for building a North Sea gas-gathering system of her own, is trying to "seduce" Dow into building a petrochemicals complex in Norway instead of at Nigg Bay on the Cromarty Firth in Scotland.

Mr. Popoff made it clear that Dow was particularly concerned about the way BP was given a place on the project's organising committee last summer.

BP Chemicals—a subsidiary of the oil group—is one of four companies that have been lobbying for gas liquids from the new offshore line to be piped south so they can be used as raw materials for making petrochemicals in existing plants such as BP Chemicals' own at Grangemouth in Scotland. Dow has a rival plan for piping the gas liquids west to Nigg Bay.

The entire scheme — the most ambitious project of its type in the world — has already suffered months of delay because of difficulties over its financing.

Mr. Popoff revealed that a plastics material plant which Dow would like to have built at Nigg was now going to be put up at the group's Terneuzen plant in Holland.

Dow has been unable to defer a decision on the 100,000-tonnes-a-year plant any longer. It would not say how much it was expected to cost, but industry experts believe it will be at least £20m.

Mr Popoff blamed the current world oil glut for part of the delay on the offshore side of the pipeline project: the oil surplus had taken away "the sense of urgency" over making a start.

This has added to the impact of the "general confusion onshore." As a result, "no-one is helping to sort things out."

Joint collection of North Sea gas urged again by Minister

FINANCIAL TIMES REPORTER

MR. NORMAN LAMONT, a Junior Energy Minister, yesterday called again for Anglo-Norwegian co-operation in the collection of natural gas from the North Sea.

He told the European Gas Conference in Oslo that there could be considerable economic benefits from transporting Norwegian gas to the Continent via Britain rather than by way of costly underwater pipelines running the length of the North Sea.

"We will be very willing to examine proposals for re-export of new Norwegian gas landed in Britain," said Mr. Lamont, Parliamentary Under Secretary of State for Energy.

Until now, the Norwegian Government and Statoil, the State oil corporation, have been lukewarm to the suggestion of an integrated pipeline scheme and the construction of a new cross-Channel link which would carry Norwegian gas to the Continent.

So each country is continuing with its plans to construct separate gas gathering pipelines. On the UK side, a £2.7bn pipeline system is being built, stretching from the Statfjord Field in the north to the Lomond Field in the south. The gas will be landed at St. Fergus, near Peterhead, Scotland.

A similarly ambitious pipeline is proposed on the Norwegian side of the North Sea median line. This line is being designed to run the length of the North Sea, carrying gas liquids to the Norwegian mainland, and methane natural gas to a terminal at Emden in West Germany.

Mr. Lamont said that the UK project was on target for completion in 1985. More than £8m had been committed to the scheme. Detailed conceptual design work had been completed for the offshore pipeline, for the gas reception terminal at St. Fergus, and for a natural gas liquids plant at Nigg Bay on the Cromarty Firth, Scotland.

● Jebsens Drilling, the UK-based offshore drilling contractor, has agreed to pay $74m for the Nortroll, a five-year-old Aker H3 semi-submersible drilling rig.

The deal marks the first major expansion by Jebsens since it placed over 40 per cent of its shares with UK investors in March. The purchase of the Nortroll increases Jebsens' drilling fleet to three semi-submersibles and a two thirds interest in a drill ship.

The Nortroll is being bought from K/S Golar-Nor Oceanics A/S. Gotass Larsen, the Bermudan-based shipping group owned 65 per cent of the Nortroll and its sister rig the Nortrym. However, a fortnight ago it announced that it was pulling out of offshore drilling, and selling the Nortrym for $79m cash, and negotiating the sale of the Nortroll.

EEC will probe U.S. bedlinen 'dumping'

By Rhys David

THE EEC Commission is expected soon to hold an investigation into British charges that U.S. producers have been dumping bed linen products in the UK.

Telegrams were sent to member States last week asking for their formal approval of the investigation to the started.

Investigators from the Commission are due in Britain shortly, and will hold talks with four leading producers, Courtaulds, Vantona, Carrington Viyella and Lonrho, aimed at assessing what injury they have suffered.

The British Textile Employers' Association first alleged damage to the industry last year.

Its documented evidence, after revisions, was handed Department of Trade only last month. It seems to have been processed with unusual speed by the Commission, which recently strengthened its anti-dumping apparatus in response to complaints of slowness.

The team will visit the U.S. for on-the-spot investigations.

The Commission announced last week provisional anti-dumping duties on textured polyester fabric and styrene monomer.

Courtaulds cuts

THE extensive rationalisation programme by Courtaulds in the past two years has left the group healthier than for some time, the brokers Laing and Cruickshank say in a report on the company today. The group, due to announce results shortly, will have cut its labour force by 25,000 in 1980 and 1981, as many as in the previous five years.

Credit calls down

CONSUMER credit applications in April were down by 9 per cent from last year, a possible indication that trade in some retailing sectors slackened. The figures from the United Association for the Protection of Trade contrast with a 10 per cent rise in applications in March. In the first two months applications for credit were shown at roughly 1980 levels.

Furniture hit

THE domestic furniture trade remains depressed, with manufacturers' deliveries to retailers about 15 per cent lower than a year ago. The industry's order book measured by the Industry Department's index of orders-on-hand (1975 =100) declined by nearly 6 per cent from February to March to an index figure of 49, nearly 24 per cent lower than in March last year.

£½m order

PLESSEY MARINE of Beeston, Notts., won a £500,000 order for electronic communications equipment in patrol boats being built in West Germany.

Building industry rate of decline slower

BY ANDREW TAYLOR

FURTHER EVIDENCE that the sharp rate of decline in construction activity is now slowing down emerged yesterday in the monthly trade survey published by the Builders' Merchants Federation.

The survey showed that building material sales in March were 11.8 per cent lower than in March 1980. A month previously the sales decline compared with a year ago was 21.7 per cent and in January 21.8 per cent.

The figures confirm other surveys indicating that the fall in construction activity is slowing. According to the federation, building material sales in March were 9.9 per cent higher than in February.

Mr. Reg Williams, director of the federation, said: "A steady slowing down in the rate of sales decline has been recorded in the south-west, Wales, north-east and the Midlands and the trend is beginning to give cause for some optimism. Our members will certainly be looking for an improvement in the trading position later in the year."

Recent reports by the National Federation of Building Trades Employers and the Federation of Civil Engineering Contractors also show that prospects for orders and output are no longer deteriorating at the dramatic rate of the third quarter of 1980. But there is no sign that the pendulum is about to start swinging upwards.

Forecasts by the building and civil engineering economic development committees this week suggested that a modest recovery in construction activity—almost entirely led by a rise in private house-building—will not begin until later next year. The industry as a whole cannot expect to see a general increase in output until 1983.

There are some glimmers of light. The number of homes started by private house-builders during the first quarter of this year was 47 per cent more than in the last quarter of 1980 and 4 per cent more than in the first quarter a year ago.

Public works orders received by contractors were also higher in the first three months of this year—by about 10 per cent—than in both the first and fourth quarters of last year. Figures were partly distorted by the placing of major contracts for the Torness and Heysham power stations in December and January.

Certain sectors of the construction industry may now be approaching the bottom of the recession but this should not be read as a signal for recovery. The outlook for construction sems likely to remain very difficult for the rest of this year.

Ford to produce Escorts in Spain to escape duty

BY KENNETH GOODING

FORD IS to begin production of its new Escort car in Spain this autumn.

The company insisted yesterday that the move had been planned for some time and had nothing to do with the well-publicised production difficulties at the Halewood plant on Merseyside.

The Spanish car market is still protected by high tariff barriers. Even local producers like Ford can import only a limited number of vehicles by agreement with the Government without attracting extra duty.

So Ford has decided to supply the Spanish market with Escorts — which should prove to be highly popular there — from its plant at Velencia. Output is planned for around 250 a day.

So far, Spain has been one of the few European markets not to have the new Escort.

Ford maintained yesterday that the additional Spanish output will make no difference to the plants at Halewood and Saarlouis in West Germany

Tool makers seek action against Japanese imports

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

EUROPEAN machine tool manufacturers will be pressing the EEC and their governments to take effective measures to deal with the growing penetration of Japanese machine tools in West European markets.

Delegates at a meeting of the European Committee for Co-operation of the Machine Tool Industries, held in The Hague last week, agreed to press for such measures in the light of a rapidly deteriorating situation.

Japanese machine tool manufacturers have successfully concentrated their efforts on certain machine tool types, namely machining centres, numerically controlled lathes and forming machines.

Mr. Lucien Rama, CECIMO secretary-general, said that technical superiority, both in design and application, was not a reason for Japan's success.

"Instead, a pricing strategy made possible by a combination of not easily quantifiable government financial and other commercial links has been a major factor in influencing West European user industry orders."

Japanese machine tool imports have been growing in some West European countries in spite of the recession. In the UK, for instance, they totalled £34.9m last year, an increase of 69 per cent on 1979. Imports of machine tools from other sources were almost all down.

West Germany and France have also been affected. The Italian industry—so far less affected—is concerned that the Japanese industry may soon focus attention on that market.

UK NEWS

Strikes by air traffic controllers 'could cost more than £10m'

BY ELAINE WILLIAMS

THE air traffic controllers' dispute in support of the Civil Service pay claim could cost British Airways at least £10m in lost profit, Mr. Roy Watts, its chief executive, has warned.

This is in addition to the large losses expected to be announced by the group this year. In the 1980-81 financial year, British Airways is heading for its first ever pre-tax loss—thought to be more than £100m, even after allowing for profits of roughly £20m on the non-airline activities. This compares with profits of £19.5m last year and £90.4m in 1978-79.

The airline has already cancelled 1,000 services during recent weeks as a result of the dispute, representing about 6 per cent of all its services. Heathrow airport has been the worst affected with nearly 11 per cent of flights there hit.

Mr. Watts warned that a continuation of the dispute into the summer months could create "damaging uncertainty for British Airways and the travel industry."

There are signs already that people are changing their long-term travel plans in anticipation of further disruption, Mr. Watts said. Prolonging the strike could drive traffic from British to continental airports, he said.

The air traffic controllers' dispute has seriously hurt other airlines serving the UK, both British and foreign. Collective losses for airlines are estimated at around £1m a day. These comprise lost revenue for cancelled flights and additional charges for aircraft delayed.

British Caledonian is losing up to £250,000 a day when Gatwick and other airports are shut or disrupted, and its cumulative losses stand at over £1m.

Pan Am, one of the largest airlines serving the UK, is so worried about its mounting losses that it has warned the Government that it might seek financial recompense for money lost as a result of the dispute.

Ironically, British Airtours, the wholly-owned charter subsidiary of British Airways, is likely to produce a profit of about £2m this year, according to Mr Gerry Draper, its chairman.

In the last financial year (ended March 31), British Airtours carried more than 1m passengers. This year's target is 1.5m passengers. British Airtours recently introduced wide-bodied aircraft to increase its seating capacity.

● British Caledonia is to launch twice weekly, non-stop scheduled flights between London and San Juan, Puerto Rico, on October 24 with fares from £283.50 return.

The new service, operating from Gatwick airport, will be part of the airline's existing DC10-30 route linking London with Caracas, Venezuela; Bogota, Colombia; Guayaquil, Ecuador; and Lima, Peru. Puerto Rico will be the first point in the Caribbean to be served by British Caledonian.

● Blue Sky Holidays, British Caledonian's tour operating associate, will be offering a package holiday based on the airline's Puerto Rico service.

● As part of the long-term plan to develop Gatwick Airport, a new concourse has been built there to be opened on June 1.

It contains a travel centre and ticket office for rail services. It is intended to provide passengers with easier access to and from the airport.

● Concorde celebrated five years of supersonic service on the Atlantic route this weekend, operating between London and Washington. It has carried 400,000 passengers worldwide, more than one-quarter of these travelling on the Washington service.

Civil Service dispute, Page 11

First flight for 360 six months early

By Elaine Williams

THE MAIDEN flight of the Series 360 36-seat aircraft designed by Short Brothers of Belfast takes place in the next few days, six months ahead of schedule.

The airliner will form the spearhead for Shorts' drive for aircraft sales in the next 10 years. It follows the 30-seat 330 Commuterliner, which continues in production as an alternative wide-body design.

It is larger, quieter and more fuel-efficient, and has won firm orders from four airlines. Shorts says other orders are "in the pipeline."

The company hopes to sell between 275 and 350 aircraft in the next seven years, some 25 per cent of the estimated world market for 20-40 seat commuter aircraft, despite growing competition from companies such as Embraer in Brazil; De Havilland and Saab-Fairchild in the U.S.; and from Sweden.

About a third of Shorts' 7,000 workers are employed on aircraft, including the Skyvan, the short take-off and landing light transport in service for 12 years.

Sales of this and its bigger brother, the SD3-30, approach 250, about £140m in sales.

Call for better VIP air transport

BY ELAINE WILLIAMS

PRESENT AIR transport arrangements for senior members of government and the Queen are uneconomic and a disgrace to the image of the country, the Air League has said in its document The Last Chance.

The Air League is a pressure group to promote the interests of British aviation, including civil and military activities and the UK aerospace industry.

The Air League wants aircraft replaced with at least £8m of modern jets and helicopters and has called for the merging of the two squadrons used to provide transport.

In proposing the merger of the Queen's Flight with No. 32 Squadron, the Air League said that "considerable economies would be achieved both in numbers of aircraft and in the cost of maintenance and overheads."

The combined squadron would require two BAC One-Elevens, five BAe-125s and three helicopters. This compares with the present complement for the two squadrons of seven Andovers, six 125s and three helicopters.

The Air League said the capital cost of the BAC One-Elevens should be shared between all government departments which use the combined squadron.

There have been discussions since 1972 about the replacement of the ageing Andovers used by the Queen with modern jets. The Air League said the limited speed and range of the Andovers caused the Duke of Edinburgh to spend two days travelling to Canada and nine days to Australia.

The Prime Minister and other senior government officials use the 32 Squadron but charges levied by the Ministry of Defence to user departments are often higher than those charged by civilian charter companies, the Air League said.

The Air League has pressed the Government to take a decision on re-equipping because BAC is building its last two One-Eleven aircraft and the chance to buy them will soon be lost.

Lead-free petrol by 1985 urged

MR. NORMAN FOWLER, Transport Minister, is to be pressed in Parliament to introduce lead-free petrol in Britain at the same time as lead-reduced petrol goes on sale.

Mr. Gwilym Roberts, Labour MP for Cannock, who has tabled a Commons question to the Minister, yesterday denounced the reasons given for holding back the development of lead-free fuel. "We are told that lead-reduced petrol will arrive by 1985 but that lead-free petrol cannot come at the same time because some older cars will not run on it," he said.

"In the U.S. alternative pumps are available for the two varieties."

Free rail offered to home buyers

BY WILLIAM COCHRANE

POTENTIAL buyers of homes in Peterborough are to be offered tickets to the town by British Rail at £5 per couple return on Sunday, June 14.

The present London-Peterborough off-peak return is £17 for two. But British Rail's generosity does not stop there.

Anyone living and working in London or within a defined London commuter zone who buys a house from one of six developers in Peterborough—at prices ranging from £25,950 to £54,500—will receive a free second-class annual season ticket valid for journeys from Peterborough to London and return.

It is understood that the developers are getting seasons worth £1,035 at £350 a time. But the planners on both sides say it is all in a good cause.

Peterborough's growth rate, and to an extent BR's passenger density on its Inter City High Speed Trains, have suffered from the prevailing economic gloom—and, it seems, from the way a relatively short term political cycle impinges upon a long-term housing programme.

Mr. David Bath, chief planning officers of the Peterborough Development Corporation, is phlegmatic: "The proportion of expenditure between the public and the private purse changes through time." But the background to the changes is an object lesson in flexibility.

The corporation aims to raise the population of Peterborough to 150,000 by the late 1980s, compared with about 122,000 now and about 80,000 14 years ago.

The corporation needs to generate a net increase of 2,000 jobs a year to achieve its prime target. Last year it grossed 2,000 but netted only about 150.

Twenty developers are now building on 24 different sites in Peterborough which will produce more than 1,000 houses ranging in price from under £14,000 to £80,000. A further 17 developments are due to start in the first half of this year, with a capacity of 1,300 houses.

Consumer confidence up but pessimists still lead

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

A SHARP RISE in consumer confidence in May is disclosed in the Financial Times survey of consumer confidence, published today.

The index of future confidence rose by 12 percentage points in May, its biggest monthly rise for over a year, to minus 13 per cent. This is based on 23 per cent in the survey believing that conditions will improve, and 36 per cent that they will worsen.

Last month, when the index stood at minus 25 per cent, only 19 per cent thought that conditions would improve, and 44 per cent that they would worsen.

The reason for increased optimism appears to be some belief that the economy is getting stronger. This was cited by 9 per cent of the optimistic consumers as a reason, compared with 6 per cent last month.

The main reason for optimism remains the simple belief that "things must improve," cited by 67 per cent of optimists. A further 21 per cent believed that the Government was pursuing the right economic policies.

Among the pessimists, unemployment remained the main reason for concern, cited by 43 per cent in the survey.

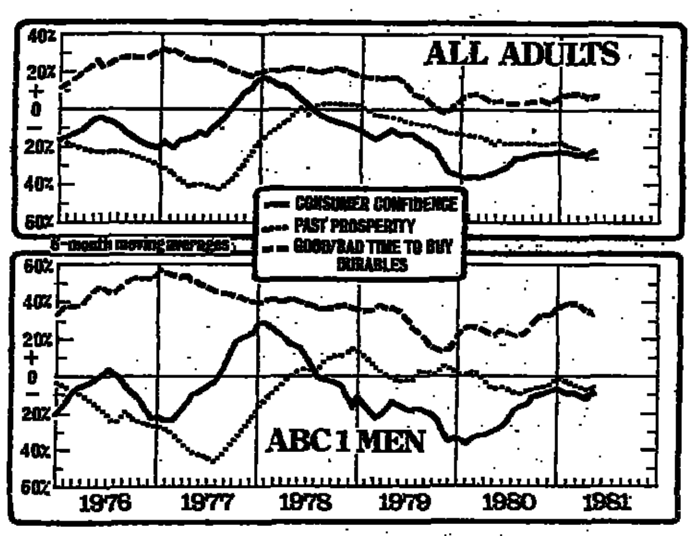
Those believing that the "trend is to get worse" numbered 28 per cent, while 22 per cent believed the Government was following the wrong economic policies.

The improvement in confidence was reflected in the past prosperity index, which rose by six percentage points to minus 30 per cent.

In May 19 per cent in the survey felt better off than a year ago, and 49 per cent worse off. Last month the figures were 17 and 53 per cent respectively.

The unemployment index fell by seven percentage points this month to plus 42 per cent, its lowest level for more than a year, and 56 per cent in the survey thought that unemployment would increase, while 14 per cent thought it would decrease.

Last month the figures were 61 and 12 per cent respectively.



UK NEWS

NEI Cochran gains by a coal-burning boom

NEI COCHRAN, one of the world's largest makers of boiler shells, is being reorganised to cope with an upsurge in demand for coal-burning plant.

The company, which operates from a secluded riverside factory in South-West Scotland, has weathered what it hopes is the worst of the recession.

It is pinning its hopes on a swelling stream of orders from as far away as South Korea and the U.S., backed up by a lengthening list of overseas distributorships and licensing arrangements. Last year it sent boilers to customers in about 30 countries.

Some of its most ambitious plans are directed towards Europe, and orders and enquiries are coming from Scandinavia, Holland, France and West Germany.

It is also increasingly hopeful about the British market following Friday's disclosure of details of the 25 per cent grants for companies which switch to coal.

Mr Frank Ball, the company's managing director, is exploring the possibility of shipping boilers to Europe directly from the Newbie works, which stands on the grassy banks of the River Annan within sight of the Solway Firth.

Although the factory was used to make parts of the Mulberry Harbours for the D Day landings, the possibility of again using it for a more peaceful invasion of Europe emerged only last year when the company secretly landed a cargo of French steel there in defiance of the British steel strike.

Such plans are in stark contrast with the domestic difficulties which NEI Cochran is facing together with much of the rest of the UK boiler-making industry. Confidential figures from the Association of Shell Boilermakers show that in March, UK production was less than half that of the same month a year ago. NEI Cochran says it was responsible for half the UK output and 75 per cent of UK boiler exports during the same period.

NEI Cochran, a subsidiary of Northern Engineering Industries, is still profitable on a turnover of £20m and says that so far this year it has not sold a boiler at below cost.

Even so, it expects to make only 550 boilers this year compared with 700 last year. Two years ago, when Mr. Ball was drafted in from elsewhere in the NEI Group, orders were being received at the rate of 3.4 a day. The order book is now said to be stable, but is down to one order a day.

The decline has also taken its toll of the workforce. Half the 300 production workers at Glasgow have been made redundant and another 70 jobs have been lost at Annan. The Annan and Glasgow factories now employ 800 workers, and there are 100 service engineers in the country.

More UK News Page 19

Only the upsurge in demand for coal fired plant saved the company from even more drastic measures last winter. This is partly because the coal-fired boilers are bigger and therefore more lucrative than those for oil and gas. Thus, although the company has had fewer orders, their average value in the past two years has gone up from £13,600 to £22,000.

Most of NEI Cochran's output is still for oil and gas users. Nevertheless, the proportion of coal plant is increasing. In value, they have doubled in the past year to 30 per cent of the order book, and this may rise to 50 per cent when the Government finally launches its long awaited assistance of £50m to companies which switch to coal.

To boost its competitiveness, the company is also investing in plant. Besides the boiler shells, it makes automatic chain grates, valves and other controls, and runs a training school for boiler maintenance.

The grates and the other accessories are in some ways more important than the boiler shells. The company is considering joint production arrangements with foreign companies under which these accessories would be supplied from Scotland, while the foreign partner supplies the boiler.

Joint production is being considered in France and West Germany where a partnership with a local manufacturer might help NEI Cochran overcome what it sees as deeply ingrained bias against importing foreign-made boilers.

In Britain, orders for boilers have been seriously hit by the Government's delay in announcing its grants for conversion from oil to coal, which will cover 25 per cent of the investment needed. But Mr Ball is doubtful about some of his competitors' predictions that it will trigger an immediate deluge in orders.

"I expect it to be a gradual, steady take-off which will not really begin until the autumn," he says.

He is also anxious that it should be geared towards installation of medium-sized boilers, rather than the industrial giants which could take up the entire £50m allocation for the next two years in one or two orders.

Meanwhile, with many foreign companies beating a path to his door at the Newbie works, Mr Ball remains more enthusiastic about export potential.

Looking out over the tidal River Annan, he says: "From here, I hope to ship boilers directly to Europe and prise open its industrial market." It remains to be seen whether the tide will be high enough to float his company to real prosperity.

Maurice Samuelson (above) on boiler demand; **Martin Dickson** on coal conversion

Government grants to encourage the switch from oil

DETAILS OF a £50m Government scheme to help industry convert boilers from oil-firing to coal have been unveiled by the Department of Energy.

The scheme—first announced in the last Budget—will promote energy efficiency and add 2m tonnes a year to National Coal Board sales.

Soaring oil prices have made it substantially cheaper for industrial boilers to use coal rather than oil. But although many industrialists are interested in converting—and the provision or modification of essential plant and equipment at least 1,000 companies are known to the NCB—recession and high interest rates have prevented many from doing so.

The Government's grants are meant to speed the move back to coal. Full details of the scheme are available from the Department of Industry; key elements include:

● Capital grants, available for up to 25 per cent of the cost of conversion or replacement of existing oil fired boilers to coal fired ones. Manufacturing industry and commercial agricultural undertakings will be eligible.

● Grants will cover the purchase and installation of [illegible]tion of buildings associated with the project.

● The cost of conversion must be at least £25,000. The total grant payable will not normally exceed £5m.

● Applicants will have to show that over the past five years an average of at least 75 per cent of the fuel used in the boilers in most cases have to burn not less than 75 per cent coal.

● The department will have to be satisfied that the project would not have gone ahead in the form proposed or within a reasonable time scale without assistance.

● Applications will be dealt with in order of receipt. The scheme will be open for applications until March 31 1983 or until the £50m is committed—whichever is earlier. Projects must normally be completed by March 31, 1985.

The scheme has been warmly welcomed by the NCB and mining unions, both of which had been pressing the Government for conversion grants as part of a package to help the industry weather the recession.

The Government agreed to give the NCB special help last February when faced with a miners' strike over threatened pit closures.

The NCB is hoping that the EEC will also implement a grants scheme for boiler conversion which could supplement the Government aid.

Little hope for cuts in short-term interest rate

By Peter Riddell, Economics Correspondent

CITY financial markets are now taking a more cautious view of the prospects for a further cut in UK short-term interest rates but few analysts expect an increase in the immediate future.

The majority view is that short-term interest rates will remain at current levels for some time.

Stockbrokers L. Messel argue, for instance, that there are no domestic reasons for an increase in Minimum Lending Rate.

The firm argues that "the money supply numbers so far this year have not been brilliant, but they are all right; they do not justify an interest rate change in either direction."

Moreover, the indicators for the "real" economy are definitely against an increase in MLR: "Output may have bottomed out, but it is not rising much, if at all. There is extensive spare capacity throughout the economy.

"Finally, the tax delays caused by the civil servants' dispute confuse the interpretation of monetary trends and discourage the Government from making any active interest rate moves."

Similarly, stockbrokers Carr Sebag do not expect a cut in MLR before July at the earliest. The firm says: "The continuing low level of domestic economic activity and the expected further falls in the annual rate of inflation both point towards a further cut in MLR in the not too far distant future.

"However, in the very short-term it appears extremely unlikely that MLR could be lowered either before U.S. interest rates have generally been perceived to have peaked or before the civil service dispute has finished and the money markets have returned to normal."

A somewhat more pessimistic view has come from stockbrokers James Capel. Their view is that "the opportunity for a reduction in UK interest rates has been telescoped into a narrow timescale." The chances of such a cut materialising are now more uncertain.

James Capel maintain that a recovery in economic activity towards the end of the year would push up private sector loan demand and point to an upward drift in UK interest rates.

"The lowest point in the underlying rate of inflation has already been reached and investors should expect a return to double-figure wage increases.

"Therefore the authorities have very little time in which to engineer a cut in MLR. Any such opportunity would appear to be limited to the June to August period.

"The course of U.S. short-term interest rates is also a key factor. There is a chance that, in mid-year, a weaker U.S. economy and slower monetary growth will allow a modest reduction rates before a snap back in the autumn.

"This break in U.S. rates could provide the UK authorities with the small window needed to reduce MLR.

General Motors to import Japanese axles for new range

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

GENERAL MOTORS will import from Japan every transaxle needed for a new range of European cars.

The transaxles, high-cost sub-assemblies used in front-wheel-drive vehicles, will go into the company's "J" cars which will be assembled in both West Germany and Britain.

The new cars will replace the Opel Ascona and the Vauxhall Cavalier in Europe and be launched in September. GM expects to sell them at an annual rate of at least 300,000.

The transaxles will be supplied by Isuzu, the group which ranks sixth among Japanese vehicle producers. GM has a 34 per cent shareholding in it.

Trade unionists at Vauxhall have greeted the move with dismay. They say that only a few relatively low-cost items will be supplied for the Cavalier's replacement from Britain against 72 per cent in the Cavalier.

GM will also bring in engines for the European "J" cars from its Australian and Brazilian subsidiaries. It has established 300,000-a-year capacity plants in both countries, and has given undertakings to the Governments concerned to export the vast majority of the output.

The company has also spent heavily—unofficial estimates put the investment at £100m—for a new engine facility at Opel's component complex at Keiserslautern in West Germany. This can produce 300,000 a year of a new range of 1.6 litre engines, called the "Family Two" range.

Opel will send "J" car kits to the UK for assembly by Vauxhall whose Luton plant is being prepared at the cost of £20m—a relatively small outlay.

Vauxhall said yesterday that those items to be produced in the UK for its version of the "J" car would be glass, tyres, paint, some electrical products, instruments and all seating and trim.

The "J" car is the first real attempt by GM to put its "world car" theories into operation. The idea is for key components to be produced in a few high-volume, low-cost plants and be used in cars of the same basic design but adapted for, and produced, in various important markets.

The new cars are being sold in the U.S. and Canada. They will be launched in Australia, Brazil, Japan, South Africa, West Germany and the UK.

Accountants attack Bill's plan for small businesses

BY ROSEMARY DURR

THE ACCOUNTANCY profession has added its voice to the critics of the small-business start-up scheme outlined in the 1981 Finance Bill.

Representatives from the Consultative Committee of Accountancy Bodies, represeting most British accountants, met the deputy chairman of the Inland Revenue this week to discuss the Bill.

The CCAB says: "It is distressing to find an excellent innovation in the taxation scheme—the business start scheme—in danger of being rendered inoperative by legislation far too complex and littered with anti-avoidance provisions."

So numerous and stringent are the conditions which have to be met to ensure qualifying for tax relief that few advisers, it says, will recommend their clients to invest in such schemes.

Its main objection is that the investor has no control over the company, which may or may not meet the conditions laid down by the Bill to qualify for tax relief.

In addition, the CCAB has criticised the proposed method of taxing petrol provided by companies to employees for their personal use. Rather than treating this benefit as remuneration—as the Government proposes—the CCAB says a cheaper and administratively easier method would be to adjust an employee's PAYE code.

Licensed Victuallers want to widen membership

BY GARETH GRIFFITHS

THE NATIONAL Union of Licensed Victuallers, the main public house licensee organisation, is considering ways of boosting its membership, including the recruitmet of off-licence holders such as store managers and restaurateurs.

The union, which meets for its annual conference in Bournemouth today and tomorrow, has been hit by the decline in beer consumption and the fall in the number of public houses. Membership has fallen during the past year by about 2,000 to 28,000.

Public houses account for just over half the 128,000 licensed premises in England and Wales. Their decline is expected to continue. The number of off-licenses granted has shown a constant increase over the past decade.

NOTICE OF REDEMPTION

To the Holders of

Compañía Anónima Nacional Teléfonos de Venezuela

8¼% Guaranteed Sinking Fund Debentures Due 1987

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Fiscal Agency Agreement dated as of December 15, 1972 providing for the above Debentures, $425,000 principal amount of said Debentures bearing the following serial numbers have been selected for redemption on June 15, 1981, through operation of the Sinking Fund, at the principal amount thereof, together with accrued interest thereon to said date:

OUTSTANDING DEBENTURES OF $1,000 EACH OF PREFIX "M" BEARING THE DISTINCTIVE NUMBERS ENDING IN ANY OF THE FOLLOWING TWO DIGITS:

22 31 92

ALSO OUTSTANDING DEBENTURES OF $1,000 EACH OF PREFIX "M" BEARING THE FOLLOWING NUMBERS:

265	965	2065	3365	4265	4965	5765	6765	7765	9065	9965	11065	11865	12965	13965	14765
365	1065	2165	3465	4365	5065	6065	6965	8265	9165	10165	11165	11965	13265	14065	14865
465	1265	2565	3565	4465	5165	6165	7165	8565	9265	10365	11365	12065	13365	14165	
565	1465	2765	3965	4565	5365	6265	7365	8665	9365	10765	11465	12365	13465	14365	
665	1565	3065	4065	4665	5465	6365	7465	8765	9465	10865	11565	12665	13665	14565	
865	1965	3165	4165	4865	5665	6665	7665	8865	9665	10965	11765	12765	13865	14865	

On June 15, 1981, the Debentures designated above will become due and payable in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts. Said Debentures will be paid, upon presentation and surrender thereof with all coupons appertaining thereto maturing after the redemption date, at the option of the holder either (a) at the corporate trust office of Morgan Guaranty Trust Company of New York, 13th Floor, 30 West Broadway, New York, N.Y. 10015, or (b) at the main offices of any of the following: Morgan Guaranty Trust Company of New York in Brussels, Frankfurt am Main, London, Paris and Zurich; Bank Mees & Hope NV in Amsterdam; Credito Romagnolo S.p.A. in Milan and Rome and Credit Industriel d'Alsace et de Lorraine, S.A. in Luxembourg. Payments at the offices referred to in (b) above will be made by check drawn on a dollar account, or by transfer to a dollar account maintained by the payee with a bank in New York City.

Coupons due June 15, 1981 should be detached and collected in the usual manner.

On and after June 15, 1981 interest shall cease to accrue on the Debentures herein designated for redemption.

Compañía Anónima Nacional Teléfonos de Venezuela

Dated: May 14, 1981

NOTICE

The following Debentures previously called for redemption have not as yet been presented for payment:

DEBENTURES OF $1,000 EACH

M. 93	1459	3464	4051	4735	5464	7147	7997	8551	9451	10014	10447	11951	12347	12847	13188	13843	14582
251	1474	3482	4082	4747	5614	7214	8007	8747	9464	10017	10451	11958	12351	12851	13207	13847	14693
514	1547	3483	4086	4751	5893	7217	8009	8751	9482	10047	10464	11964	12364	12864	13214	13910	14793
517	1564	3514	4135	4759	5917	7251	8010	8764	9493	10051	10910	11974	12382	12893	13217	13932	14807
564	2451	3547	4147	4764	5982	7293	8014	8782	9517	10064	10914	11983	12414	12914	13257	13935	14874
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

May 25	County Show (04868 22184)	Guildford
May 27-29	European Liquefied Petroleum Gas Congress and Exhibition (01-894 1041)	Royal Festival Hall
May 27-29	Management Services Exhibition for the Retail Motor Trade—MOTRADEX (0225 318500)	Kensington Exhibition Centre
June 2-4	Institution of Electronics Exhibition (0706 43661)	Ingliston Showground
June 2-5	International Scientific, Educational, Medical and Industrial Laboratory Equipment Exhibition—SEMLAB (021-705 6707)	Olympia
June 4-13	Fine Art and Antiques Fair (01-385 1200)	Olympia
June 7-10	Times and Sunday Times Business to Business Exhibition (01-407 4046)	Earls Court
June 15-18	International Water Industry Conference and Exhibition (031-557 2478)	Metropole Hall, Brighton
June 16-18	International Process Measurement and Control Equipment Exhibition (01-727 0083)	Wembley Conf. Centre
June 23-26	International Word Processing Exhibition and Conference (01-405 6233)	Wembley Conf. Centre
June 27-July 1	International Mining Exhibition (01-637 8575)	NEC, Birmingham
July 1-5	International Cycle Show (01-643 8040)	Harrogate
July 19-23	21st Harrogate Gift Fair (0382 867153)	Harrogate
Aug. 23-26	International Craft and Hobby Fair (04252 72711)	Wembley Conf. Centre
Sept. 3-5	Business and Light Aviation Show (01-643 8040)	Cranfield Airfield
Sept. 6-10	Watch, Jewellery and Silver Trades Fair (01-643 8040)	Earls Court

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current	National Textile Industry Fair—FENIT (01-408 2104) (until May 26)	Sao Paulo
Current	International Accessory, Machinery and Materials Fair for Furniture Production, Interior Decorating and Furnishing — INTERZUM (01-409 0956) (until May 26)	Cologne
May 27-June 2	International Trade Fair for Machinery and Equipment for the Wood Industries LIGNA (01-651 2191)	Hanover
June 5-14	International Aeronautical Exhibition (01-439 3964)	Paris
June 11-15	International Carpet, Wallpapers, Wall Coverings and Furnishing Textiles Exhibition (01-439 3964)	Paris
June 17-20	Western Canada Farm Progress Show (01-930 7491)	Regina, Saskatchewan
June 22-26	World's Wine and Spirits Week—VINEXPO (01-439 3964)	Bordeaux
July 1-5	International Audio-Visual Equipment Exhibition (01-705 6707)	Singapore
July 7-11	International Oil and Gas Exposition (01-637 8575)	Mexico City

BUSINESS AND MANAGEMENT CONFERENCES

May 26	Industrial Relations Briefing: Sick pay scheme—the changes (01-289 1158)	London
May 28	The Institution of Taxation: Finance Bill '81 (01-235 8847)	Royal Lancaster Hotel, W2
June 1-2	Management Centre Europe: Do the old rules still apply? (Brussels 2190390)	Brussels
June 1-2	FT Conference: The role of international companies in Saudi Arabia's development plans (01-621 1355)	Grosvenor House, W1
June 1-2	FT Conference: Energy supplies—feast or famine? (01-621 1355)	Hilton Hotel, W1
June 2-3	Lloyd's of London Press: Marine Insurance '81 Hull Conference (01-353 1000)	London Press Centre, EC4
June 3	FT Conference: Financing World Air Transport Expansion (01-621 1355)	Paris
June 4	Abacus Conferences: Investigations by European and United States Completion Authorities (0604 881300)	Cafe Royal, W1
June 4-6	Institute of European Studies: European Monetary System and International Monetary Reform (02/649.00.30)	Brussels
June 6	Enterprise North: Start Your Own Business Conference (Durham 41919)	Hartlepool
June 8-12	IPM: Methods in Interpersonal Skills Training (029383 344)	Horsham
June 9-11	Varian: Leak detection seminar (Switzerland 04223 44 33)	Massachusetts, U.S.
June 10	ICETT: Symposium for Chinese Research Workers in UK (05827 68219)	Central London Polytechnic
June 10-11	AMD: Communication and Confidence Development for Managers (07535 56047)	Penta Hotel, SW7
June 12	Oyez-IBC: Financial Modelling (01-242 2481)	Royal Lancaster Hotel, W2

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

INSURANCE

Commons ruling poses problem for Lloyd's

By John Moore

THE House of Commons committee's ruling last week that there should be complete divestment between Lloyd's brokers and underwriters has posed another problem for Lloyd's.

Part of the recommendation of the Commons committee said that the Lloyd's Bill of Parliament should be amended to preclude managing agents from acting as members' agents.

Both divestment of broking and underwriting links and the ban on managing agents acting as members' agents should be accomplished within five years of the Bill receiving the Royal Assent.

"We made clear in our judgment that both these matters needed to be dealt with and we were therefore asking you to petition support for both of these provisions," said Mr. Michael Meacher, Labour MP for Oldham W., in response to a question from Lloyd's counsel.

Sir Henry Fisher, in his report on Lloyd's self-regulation, found no real case for requiring the severance of shareholding links between Lloyd's brokers and members agents or for prohibiting the future establishment of such links.

Members' agents act as intermediaries, introducing members to Lloyd's syndicates and processing applications. Brokers, through their world-wide contacts, are in a good position to introduce suitable members to Lloyd's, said the Fisher report.

"Times will almost certainly come again when Lloyd's badly needs new names (members)," said the report.

But during the Commons proceedings a fresh conflict of interest was identified. What if managing agents, those groups which look after the affairs of underwriting syndicates and hire and fire the active underwriters, were allowed to continue to own members' agencies?

All major Lloyd's brokers own and control both types of agency which in turn contribute a significant proportion of revenue. As the business of the market has become more concentrated through merger and acquisition so the functions of the various components of the market are often conflicting.

It is common for a member's agent to be paid a commission by a managing agent for introduction of new members of Lloyd's.

But a conflict may arise, it was suggested to the Commons committee, if the managing agent is also acting as a member's agent. "His knowledge will tend to be confined to his own syndicates," said Mr Michael Mann QC, acting for two petitioners to the Lloyd's Bill. "He will tend to be biased towards his own syndicate which is not necessarily the best resting place for the name (member)."

Mr. Peter Green told the committee that the members have freedom of choice and may talk to many agents.

UK NEWS—LABOUR

Union rejects revised pay offer for building workers

BY PHILIP BASSETT, LABOUR STAFF

PAY TALKS covering about 700,000 civil engineering and building workers, which faced difficulties earlier this year, have run into further trouble with the rejection of a revised offer by the Transport and General Workers' Union.

Employers and unions have differed in their interpretations of the value of the offers by up to 4 per cent at one point, mainly because of the complex nature of building pay.

In talks at the end of last week employers put forward a revised package which unions estimated as 6.2 per cent, though employers said it was worth considerably more.

The offer was immediately rejected by the TGWU, one of the industry's largest unions. Mr. Alex Kitson, acting general secretary, had renewed the construction group's plenary powers to reject offers and call industrial action.

The industry's main union, the Union of Construction, Allied Trades and Technicians, is considering the improved offer before meeting the other three unions in the industry next week. The subject of industrial action seems likely to be raised.

The previous offer, and proposals for a four-month wages freeze in the industry, have already prompted warnings of disruption.

The latest offer involves rises from June, the normal settlement date, and a further rise in November, when a 39-hour week is due to be introduced in the industry.

The offer in June would take the basic craft rate to £73.20, which with a guaranteed minimum bonus of £12.20 would take the overall rate to £85.40. Corresponding rates for a labourer would be £62.40, with £10.20 bonus to give an overall figure of £72.60.

In November the overall craft rate would rise to £85.41 (£73.12½ plus £12.28½) for 39 hours, and the overall labourer's rate to £72.73½ (£62.40 plus £10.33½).

The unions claim, though, that the guaranteed minimum earnings level — take-home pay before stoppages — would still only rise by 6.2 per cent under the proposals.

Mersey Docks peace talks this week

FINANCIAL TIMES REPORTER

HOPES OF a settlement of the annual pay award for the 3,500 dockers on the Mersey rest on two meetings in Liverpool this week.

The 100-strong Mersey Joint Shop Stewards' Committee will meet this morning to discuss the latest offer from the Liverpool Port Employers' Association.

Any decision they reach will be recommended tomorrow to a mass meeting of the dockers in Liverpool boxing stadium.

Both sides have so far maintained a discreet silence about the latest offer. A fortnight ago, at a previous mass meeting, the dockers overwhelmingly rejected the employers' offer of 6 per cent, representing £8 plus certain fringe benefits.

The men mandated the Transport and General Workers' Union to press for a 13 per cent rise—which they wanted unconditionally. The employers had required their offer to be accompanied by the removal of certain restrictive practices which the union is only prepared to discuss at a later date.

Shipping 'crisis of labour'

By Our Labour Staff

SHIPPING faces its most serious labour crisis since 1939, says the annual report today of the General Council of British Shipping, the shipowners' and employers' body.

About 3,500 officers and ratings are out of work, against about 1,900 a year ago, it adds.

The report blames the strong pound, high interest rates, and generally poor trading conditions, but stresses in particular the cost from the interim 13 per cent deal for ratings after five weeks' national strike action.

This was increased by an arbitration award on overtime pay which the employers estimate will cost a further 4½ per cent in the full year of 1982—"a particularly sad and serious blow to British shipping."

On May 1 622 officers and 2,938 ratings were "available for work," against 395 and 1,562 a year ago, and 285 and 1,237 in 1979.

More can be expected following declaration of severe redundancies for officers, 367 from one company, 210 from another, 167 from a third.

The report says "the outlook is very serious" and that not enough orders are being placed to maintain the size of the UK-owned and registered fleet, which could be considerably reduced by the end of next year.

Polish union 'stronger'

SOLIDARITY, the independent Polish trade union, appears to have forged a better relationship with the Polish authorities, according to a report by the International Metalworkers' Federation.

The federation published a first report on Solidarity following a visit to Poland by a member of its secretariat.

The second report, published this week following a second visit, said the union has increased its strength and position, is better organised and that "its leaders have shown themselves to have real staying power."

MP attacks construction industry job losses

Financial Times Reporter

A SENIOR Labour backbencher yesterday spoke of "sensational" increases in unemployment in the building industry.

Mr Frank Allaun, chairman of Labour's housing committee, claimed in a statement: "Nearly all of this results from deliberate cuts by Mr Michael Heseltine, Environment Secretary."

Mr Allaun, MP for Salford East, said unemployment in construction and related trades had grown to 424,838. The "nonsense" about cutting public spending was actually increasing it.

"In construction alone, it has soared to 370,870—an increase of almost 200,000 in under two years."

Mr Allaun warned: "There is still worse to come as the Government reduces council house starts to a mere handful. The Minister cannot blame world trade for the housing cuts.

"Maintenance of roads and sewers has been cut back too, and it will cost far more to repair if the delay continues."

He claimed that the UK unemployment rate in construction was 24.5 per cent compared with a rate for all industries of 9.7 per cent.

"Many of the skilled workers will be lost forever to the building trade. Far from saving money, the Government cuts are wasting it.

"For each worker made redundant today, it is costing the Treasury an average £5,000 a year in unemployment benefit, National Insurance, and income-tax on his earnings. In addition, the country forfeits £7,600 a year per unemployed worker in lost production."

CONTRACTS AND TENDERS

Civil servants study options as pay protest runs out of steam

Philip Bassett looks at moves to revitalise a campaign

ELEVEN WEEKS ago today, about 1,200 civil servants stayed out on strike after a national one-day stoppage in the Civil Service over the Government's unilateral suspension of its 26-year-old comparability-based pay agreement.

Eleven weeks later, the numbers on strike in selected key areas have grown to nearly 5,000. The Government, though, has yielded little—and today leaders of the unions involved are meeting to try to revitalise a pay campaign that even some of its most active supporters admit has run out of steam and gone on too long.

The unprecedented dispute in the Civil Service has reached a watershed; the decisions taken by the meeting of the Council of Civil Service Unions' major policy committee on the choices open to it will be crucial to the outcome of the whole dispute.

The committee, comprising general secretaries and senior officials of the council's nine constituent unions, has to decide where their campaign, up to now tightly-disciplined and controlled, should go next.

The options open are:

- To continue on the present course of selective strikes at key revenue-collecting, defence and other computer centres;
- To widen those strikes to include previously avoided sensitive areas such as the benefit-paying departments of Employment (DE) and Health and Social Security (DHSS);
- To seek the help and intervention of the TUC;
- To call or consult on a national strike of all members of a number of days' duration — possibly up to a week;
- To call or consult on an all-out indefinite national strike in the Civil Service.

The choices are not straightforward because of a number of considerations and pressures, and in particular because of the decisions taken by the recently concluded round of annual union conferences.

Union conferences are often annual seaside bursts of bravado, which tend to be forgotten about when delegates return to the less heady atmosphere of the shopfloor or the office. Few are more prone to this than the civil service unions, particularly the often-chaotic Civil and Public Services' Association (CPSA).

This year, though, general secretaries of the civil service unions were at pains to point out that for once, conference decisions were not only important but immediate: if delegates were urging an all-out strike, they had to be sure that they could deliver one when they got back to their branches.

While a clear line for intensified action has emerged, the result was a display of rather more doubt and honesty than is perhaps usual — and a display which clouded traditional preconceptions of unions' "moderate" or "militant" status.

Take this collection of delegates' and top-table statements from one of the conferences.

"The only way we may be able to make an impact on this employer is if the whole Civil Service stops work."

"Step up the action. Let us loose — and let us win."

"If we are forced by frustration into a week's strike, Margaret Thatcher will ignore us. It will be a hangman's noose round our own necks."

"We are never going to get public sympathy. We never have and we never will."

"I urge the executive to resist attempts to rush like lemmings into the abyss as [other unions] seem to be doing."

"We can't deliver the membership."

Now take this from another:

"The battle has gone on too long. It's up to us to end it."

"We can't afford to strike — but we can't afford 7 per cent either."

"We know we will have difficulty in getting our members out on strike."

"A five-day strike would rock the Government to the core."

"The impetus is now waning; the action is dragging on too long."

"We must stand firm and not lose our nerve."

Both are shot through with doubts. The first set, though, is from the Inland Revenue Staff Federation (IRSF), traditionally regarded as moderate; the second, from the CPSA which—despite its present politically-right wing leadership — has been in the forefront of militant action in the Civil Service.

Terry Kirk

Inland Revenue workers meeting in London

Voting on the conference decisions was clear enough: delegates were conscious of the need to preserve unity. However, general secretaries meeting today are well aware of what the above quotations show—that the realities behind the bald decisions are far from clear.

The leads, checks and balances in the conference debates and the full motions, as approved, publicly indicate the pressures on the options open for the progress of the campaign.

Continuation of the present strategy, though favoured by such moderates as Mr. William McCall, of the Institute of Professional Civil Servants and Mr Tony Christopher of the IRSF, who are both powerful voices in the council, will in some ways perhaps be the most difficult to hold to.

Many of the selective strikers, resigned to the fact that they may well have to stay out, are tired after 11 weeks of fighting for the rest—even though they have been fighting on strike pay of 85 per cent of their normal wage.

Significantly, the chairman of the IRSF branch at the strike-bound tax collection computer at Shipley in Yorkshire told his union's conference that his members regarded the calls for the action to be intensified as an indictment of the lack of effectiveness of their own action.

Certainly, though it has brought the offer of flexibility over next year's cash limits and of an outside inquiry into Civil Service pay, the selective action has not shifted the Government from its 6 per cent cash limit for this year, which provides for an offer of 7 per cent.

Despite public protestations to the contrary, the action is hurting the Government's operations—but equally, the Government seems prepared to sit it out for as long as necessary, whatever the pain and the cost.

The most forceful pressure against maintenance of the present action, and the well-spring for the second option, is coming from activists in DE and DHSS.

Probably an overall majority of the membership of the two largest and most militant unions, the CPSA and the Society of Civil and Public Servants (SCPS), is in these two departments—and has so far not taken part in the action at all other than the one-day or half-day national strikes. Both these departments contain the unions' most committed activists.

Some unofficial action, notably at Dundee, Aberdeen and Livingston computer centre, has already been taken in these departments, though the unions centrally have been able to contain it.

Both the activists and the union leaders are acutely conscious of the effect of taking action which might hit the payment of benefits to the unemployed, the old and the sick—though they come to widely differing conclusions.

The CPSA will press today for some form of all-out stoppage, though only of up to two or three days' duration. Many union leaders, though, are convinced that support for such a stoppage would not be there because of the widespread feeling that the Government would simply sit it out.

Since the start of the action on March 9 until May 13 (the latest figures publicly available) the Government has saved about £16m in non-payment of salaries.

The five-day strike first proposed by the SCPS seems to be a non-runner. Indeed, the SCPS executive, having proposed it to its own conference, was forced in an amendment to its own motion to withdraw the idea, after soundings from the delegates—let alone the membership—had shown the poor level of support.

Such action would inevitably involve the TUC, which has made clear to the civil service unions its disapproval of the extension of the campaign into these areas. Union leaders doubt too, the utility of TUC intervention.

Support for an all-out strike of a few days will also come today from the Civil Service Union (CSU), where consultative meetings of members over the past week have shown a strong call for escalation. Indefinite action is seen in the unions as a more logical course, though, but still premature.

The most likely result today seems, therefore, an extension into the DE and DHSS.

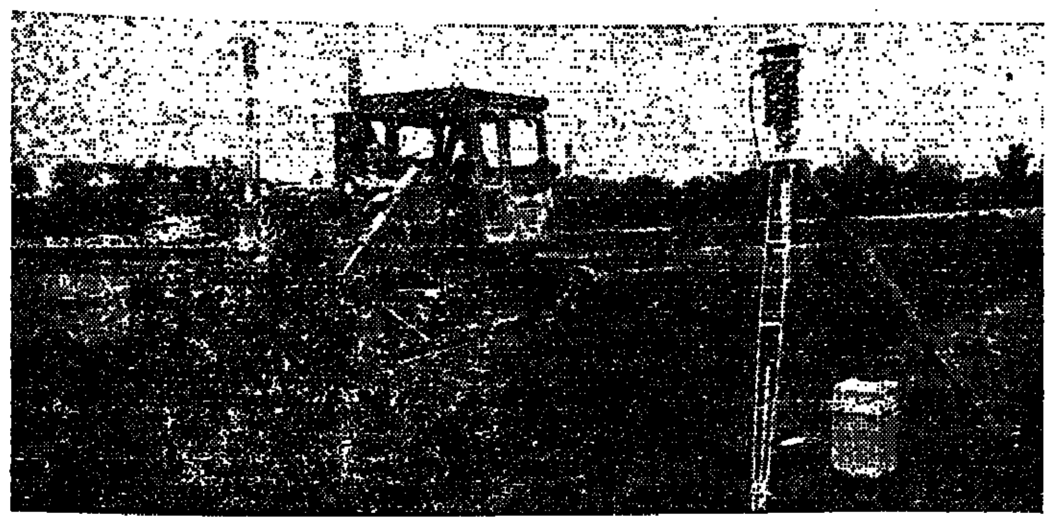
However, the First Division Association (FDA) warned at its conference that its continued support for the campaign could not be given "if the campaign goes off the rails and starts lashing out at all sections of the community."

There are still membership doubts, though. Talking to a small number of branch chairmen of the SCPS and CPSA who were neither particularly militant nor active in the union, they said they would come out but doubted the effectiveness of such action even in the strongly working-class areas in which they were based.

They thought, instead, that Customs staff ought to be pulled out indefinitely and to remove all import restrictions from the UK in an effort to bring pressure to bear on the Government.

TECHNOLOGY

EDITED BY ARTHUR BENNETT AND ALAN CANE



One of the more recent applications of lasers by Spectra-Physics is in agriculture in which a completely flat plane described by a "lighthouse" beam can be picked up by earth moving machines and used to exactly level a plot of land. The technique has proved particularly useful in rice growing since an exact—and critical—level of water can be maintained for an optimum crop

Digital electronics end the chore of knob twiddling

NOT TOO many years ago the task of monitoring radio transmissions—by governments, the military, PTTs and maritime authorities, for example was essentially a matter of "knob twiddling" by groups of radio operators seated at communications receivers surrounded by schedules, frequency listings, timings and similar paperwork.

Each station of interest had to be manually tuned, logged and so on.

Not surprisingly, digital electronics has changed all that and in recent times most of the major radio equipment makers have "automated" their receivers.

Some have gone further and invoked a small computer with visual display unit. Then, many receivers located anywhere in the world can be connected by land-line (or even by radio link) to the central controller in which all the data about what each receiver is doing can be stored and brought up on the screen on demand.

Rediffusion Radio Systems (the new name for Redifon Telecommunications) has just announced its VDU-controlled equipment.

It offers a high degree of operational integrity because, unlike some of the other systems on the market, it directs the remote receiver to respond to a demanded operational change with positive confirmation.

Thus, if the operator wants to change a frequency, he pulls up the appropriate page on the screen, keys in the new value and when it changes on the screen he knows for sure that the particular receiver is now operating at the new frequency.

In this way a central operator can control and monitor all the operating modes and parameters on each of up to 99 remote receivers, display status at any time, initiate complex scanning or surveillance routines and inject specific, regularly occurring tasks such as listening out at maritime distress frequencies.

In the belief that some operators may perhaps be a little frightened by such complex remote control, Rediffusion has arranged for three levels of on-screen assistance.

Such assistance—and indeed any other kind of variability that was thought necessary at the design stage—becomes possible simply because the control is now vested in software rather than hardware.

A complete novice is able to call on a "help" facility which will interactively guide him out of a problem and in effect provide him with basic instruction on the system.

A user with some operating knowledge of the programmed menus can quickly establish good rapport with adequate feedback of information against which to plan his next course of action.

Finally, the experienced operator can use the software to take short cuts by exploiting sub-routines already written into the program.

In case the system should develop a fault, it can by the depression of a button be made to run through a self-diagnostic routine—a considerable assurance to the operator who with such equipments may at times wonder if all is really well at locations hundreds or thousands of miles away.

Such techniques will undoubtedly be further developed. Hugh Letheren, executive chief engineer says he is "certain" this is the way communications control is going to look in the future.

GEOFFREY CHARLISH

Circuit testing service

AN AUTOMATIC printed circuit board testing service is being started by Primat Consultants, basically ATE software specialists, in new premises at Wealdstone, Harrow (01-863 0614).

The facility should prove useful to companies, large or small, which cannot find the necessary capital for in-house ATE installations.

A typical sophisticated installation of this kind might well cost £100,000—and it would still require manning, software and maintenance.

The aim is to provide a 24-hour service and board repair will also be undertaken if required.

The company is equipped with the Membrain MB7700 test and programming stations and is approved by Membrain as an ATE bureau.

Lasers grow from a curiosity to a possible $500m market

BY GEOFFREY CHARLISH

WITH SALES running at about $140m a year in a world market thought to be worth about $500m, Spectra-Physics of San Jose, California is without doubt the largest manufacturer of lasers, with a product range spanning most of the types and applications.

The success of this company and the diversity of markets it now supplies provides evidence, if any were needed, of the way the laser has grown from a curiosity of physics in the 1960s to a scientific, industrial and commercial component in systems which nowadays range from high speed office printers to building site levelling equipment.

In what must be one of the few corporate headquarters with a man-made mountain stream running through a hacienda-style site, Spectra-Physics has maintained an "all-American" manufacturing policy coupled with a "make everything" approach that allows almost complete control of the finished product.

In a manufacturing site at Mountain View, a little further up "Silicon Valley" can be found an exciting mix of science and production engineering that includes glass and seal technology, vacuum coating, optical surface grinding and polishing, together with a machine shop which sports eight big Cincinnati Milacron automated machining centres.

Operations manager at Mountain View, Jack George said this "total manufacturing" approach is vital in controlling the quality of a product like the laser and at the same time allows the company to respond at high speed to new or changing markets. "It would take us twice as long" said George "if we had to brief and monitor a group of contractors."

Unstable

What is the growing attraction of the special kind of light generated by the laser? Why does it produce such light?

If the atoms of some substances are excited by the application of energy from say, a strong light source or by heat in a plasma, electrons in the atoms will shift to a higher but unstable energy state. Almost immediately however, they drop back to their previous state and in so doing the previously gained energy is given off as a photon.

THIS is a completely waterproof laser called Dialgrade designed to speed up pipe-laying and sewer installation. The precise, narrow spot beam and the cross hair target enable the exact track for the pipe to be defined.

The key point is that the emission of these photons can only give rise to light of a specific wavelength (colour). Since this kind of monochromatic light is difficult to produce by any conventional methods, the laser has always been of scientific interest.

If these events take place in a tube with a mirror at one end and a partial mirror at the other, the excitation builds up by means of multiple reflections, more excitations, more reversions and more single wavelength light. Very high levels of light build up until an equilibrium state is reached. Then, a mere 5 per cent of the light passing through the partially silvered mirror gives rise to a very intense beam indeed.

A direct result of the lasing action and very accurate end mirrors is that an extremely narrow absolutely parallel beam of light of one clear colour emerges which does not diverge significantly no matter how far it is projected.

One of the more recent Spectra-Physics products based on this beam principle allows precise alignment of ceilings and floors in the building industry.

This "electronic level" emits a lighthouse-like rotating laser beam—thus describing a perfectly flat plane. Receivers can be positioned to within a sixteenth of an inch at any practical building site distance—and one man can do the job.

Systems like these were used to align the tunnels in San Francisco's Bay Area Rapid Transport railway (BART). The latest system called EL1 uses a small solid state laser and costs under $3,000.

Such techniques can also be used to establish precise water levels in land irrigation. In water-depleted countries, tremendous water savings can be achieved in growing rice and the crop quality can be improved as well. A laser system can guide and control earth-moving equipment and water pumping/measurement devices.

These kinds of products from Spectra-Physics' industrial division were recently augmented by bigger carbon dioxide lasers producing up to 5 kW when Sylvania's power laser division was purchased. So Spectra-Physics is now in the metal cutting, removal and treatment business as well.

An interesting recent application in the U.S. car industry has been helical scanning at a very fine pitch of the engine cylinder walls to produce hardened bands and reduce wear. The beam is projected axially at a 45 deg. rotating mirror and the process takes about five minutes.

Much of the company's output goes to other manufacturers making such systems as document printers, supermarket bar code scanners, cell counting and tissue welding systems in medicine, as well as to a long-standing scientific research market.

In the UK Crosfield Electronics has been pioneering the use of lasers for a colour scanning and separating system for colour printing work. Known as the Magnascan 520, the latest unit uses an argon ion laser from Spectra-Physics. The design has done away with the traditional screen which for years has given the familiar dot structure in printed pictures and through which exposure is made photographically to make the printing blocks.

In Magnascan 520 the dots are generated electronically to switch the laser on and off during exposure so that the finished colour separations are produced under full computer control.

But Spectra-Physics does not have the relatively new and increasingly lucrative laser market to itself. Coherent Inc., a little further up the freeway, is the other major western supplier although in all there are some 60 companies active in various market slots.

However, a mere 2,000 people at Spectra-Physics with highly specialised scientific/production skills are making well over 50,000 lasers of all kinds each year—a formidable position.

Heat meter for UK homes

ISS CLORIOUS, based at Keynsham, near Bristol has introduced an electronic heat meter called the Farameter.

The company believes that about half a million homes in Britain receive their heating from central boilers.

Although such schemes are usually highly energy efficient, there has been concern over the best way to apportion costs between individual consumers.

Basically, there are two choices, to meter the heat consumption of individual dwellings or to flat-rate charge, whereby heating costs are simply divided equally between consumers according to the size of individual homes.

Although research has shown that consumption can vary by as much as 500 per cent between similar sized homes, some scheme owners have settled for flat-rate charging because of controversy concerning the accuracy of heat meters.

Others point to research by organisations and claim that heat metering cannot be as unfair as flat-rate charging, which actually encourages consumers to use more heat because bills are fixed regardless of consumption.

The Farameter makes use of Faraday's law of electromagnetic induction to measure the volume of hot water flow. That is, that the voltage generated in a conductor moving in a magnetic field is proportional to the velocity of movement.

In practice, it means that the voltage induced between a pair of electrodes as water passes through a steady magnetic field gives a measure of the flow of that water. The Farameter, has no moving part in the water supply, requires no upstream filtration and can be fitted to pipework running at any angle (not just vertical or horizontal).

Flow measurement is carried out within the integrator unit, one of the three interlinked parts of the Farameter. The unit is fitted in the return pipe from each dwelling and includes a platinum resistance temperature sensor and the electronic computer.

The computer processes information from the flow meter and the temperature difference across the dwelling. A separate flow temperature sensor fitted to the flow pipe, enables identification of the temperature difference.

The third element is a remote display unit that can be fitted in any convenient position for easy reading. It contains two electromagnetic counters and a pulsing indicator as well as a low voltage transformer. One counter registers the heat energy used in kW/h. The other counter records the total time the meter has been operating. The indicator lamp shows that the computer circuit is active.

The Farameter is designed for systems with maximum flow temperatures of 120 deg. C, maximum return temperatures of 90 deg. C and maximum temperature differences of 100 deg. C. The power range of the meter is from 0.03 to 50 kilowatts and the flow range 0.003 to 0.75 litres per second.

MAX COMMANDER

Crompton modules

VOLTAGE, FREQUENCY, current, reverse power, phase sequence and phase balance can all be monitored by the newly developed Protector range of power circuit surveillance modules from Crompton Parkinson of Northampton (0604 30201).

As well as units intended for direct insertion into circuits needing protection, a unit has also been designed that will accept low level transducer-derived direct current or voltage control signals.

In addition, a three input temperature control module has been introduced that will provide high reliability, fail-safe control and protection in resistance thermometry systems.

The devices are housed in a dust and moisture resistant container which clips on to DIN rails for ease of installation, servicing or replacement.

POINTERS

Imaging improves

THE PICTURE quality obtainable from charge-coupled solid-state imaging devices continues to improve although there still seems quite a way to go before they match electron tube definition.

The latest versions of the CCD 221 from Fairchild Camera and Instrument (the UK office is at Potters Bar, Herts on 0707 51111) are made by new techniques which result in dramatic reduction in dark signal level and fewer image defects.

The device is well suited for use as a high resolution detector in a wide variety of scientific and industrial optical instrumentation systems. It is organised as a matrix array of 488 horizontal lines with 380 points per line. It has an image sensing area of 8.8 x 11.4mm.

A great advantage of this technology is that the accuracy of the geometry combined with video readout controlled by a digital clock means that the output from each photo-element can be precisely identified. Consequently, it becames much easier to build computer-based image processing systems.

Super-mini

LATEST OFFERING from Harris Systems is the H300, a 48 bit two megabyte "supermini" which is packaged with its magnetic peripherals in a single cabinet.

Harris makes the claim that the H300 "easily outperforms recently announced 32-bit machines such as DEC VAX 11/75."

Applications are likely to include both the traditional Harris scientific and educational markets as well as technical, engineering and other applications requiring high performance, high speed and exceptional accuracy for interactive, graphics or pure "number crunching" operations.

Frank Walters, UK General Manager says: "The features banchmark performance and the £67,168 price tag on the H300 make it the strongest high performance super-mini in its class."

The computer offers 2m bytes of real working memory (over 12m bytes of virtual memory), an integral 80 megabyte Winchester disc store and communications facilities for up to 48 interactive terminals. Harris Information Systems is at Slough on 0735 34666.

Universal

KREONITE, the photographic processing specialist, has introduced what it calls a universal processor, claiming that it is the first to be fitted with microprocessor controls.

Called the Image Maker II, the processing programmes the machine follows are fed in using bar coded cards which are read using an optical scanner.

Kreonite says that a range of programme cards is available covering virtually all process chemistries; automatic recovery of processing solutions is possible. Kreonite is on 01-449 7377.

Capitalising on a co-operative arrangement

Some of Britain's independent chemists are benefiting from shared management. Stella Shamoon reports

"EVERYONE knows that the co-operative principle should work," says Peter Dodd. "But it only does when you have a co-op of capitalists who allow professional managers to run the business."

An energetic 46-year-old who devotes his free time to karate and deep-sea diving, Dodd is managing director of just such an enterprise: Unichem, a thriving pharmaceutical wholesaler which counts nearly half Britain's 8,500 independent chemists as its owner-customers. Characteristically, Dodd says he will not rest until the other half joins, creating a unified purchasing and marketing power in non-prescription medicines and products which would rival that of Boots, the market leader.

"Pharmacists are capitalists, in that they own their businesses," says Dodd. "But though they are Unichem's owners, they are not allowed to run it on a day-to-day basis."

This division of power and responsibility explains why Unichem came to develop a strong professional management team, Dodd claims. It "also explains our financial success, why we shall survive and prosper, and why — even though we have failed in marketing ourselves — we shall capture more members, sooner or later."

Bold words, given that pharmacists are notoriously independently-minded and reluctant to tie themselves to any one supplier; some of Unichem's own members still insist on "shopping around" for their supplies.

But then Dodd is certain that Unichem is meeting the challenges of a cut-throat industry. The co-op was nearly bankrupt when he assumed management control in 1971, breathing life into it in the form of professional management, slashing overheads and tightening controls all round.

Unichem's direct competitors are other pharmaceutical wholesalers, but its members have to compete with multiples like Boots, Tesco and Woolworth — who buy their stock straight from the manufacturers.

In terms of sales, the wholesaling market leader is Vestric, part of Glaxo, the drug manufacturer, with Unichem and Macarthys each buildng up market share fast in second and third place. Macarthys — with its own retail chain, Savory and Moore — is well ahead of the fourth in the race, Sangers, followed by Barclays. According to stockbrokers, Phillips and Drew, the market breakdown is: Vestric, 24 per cent; Unichem, 17 per cent; Macarthys, 14 per cent; Sangers, 9 per cent; and Barclays, 7 per cent.

Discounting

Trading conditions are particularly precarious at present. Sangers, in particular, recently admitted it was having "a pretty rough time." Wholesalers' margins are falling away amid wild discounting, with the ending of "notional pricing" in March. This was a cosy arrangement among wholesalers which kept their selling prices at 15 per cent above manufacturers' prices.

Another snare in the business is inevitably heavy stock levels, and thus high gearing. With sales currently running at about £200m for 1981 (against £167m in 1980, up 22 per cent), Unichem will pay more than £1m in interest. "But high gearing is not an intolerable situation, as long as stock turn is fast and the business remains healthy," says Dodd. As Unichem is not publicly quoted its main handicap is in raising cheap capital with which to expand — although Dodd claims institutions are keen to lend him long-term money at good rates.

In such a situation the quickest possible stock turn is a key target. Unichem currently achieves 14 times a year on drug stocks but only 8 — "not good enough"—on over-the-counter product sales. That is to be remedied by fine tuning in the OTC stock control system.

One effect of falling margins is that some wholesalers are beginning to cut 'slow-movers' out of stock lines, so that chemists have to shoulder not only higher prices but also the burden of heavier stocks on their shelves. Unichem claims it has not so far resorted to such cut-backs; nor has it disappointed in its monthly profit distribution to members, based on their turnover with Unichem. For 1980 the distribution amounted to £11.25m, against £8.2m in 1979; last year's retentions were just over £2m.

There is no financial risk in membership. The current price of entry is 600 £1 shares per chemist unit, and that attracts interest for members at better than basic terms. The shares are withdrawable but not transferable.

Unichem's members also benefit from discounts on computer hardware installations if they opt for the extensive computerised accounting, stock control, stock analysis and valuation, re-ordering and labelling capabilities that Unichem claims to be alone in providing.

There are currently 1,600 users of the system, called PROSPER, by which the chemist keys in requirements on equipment the size of a pocket calculator and the information is relayed by telephone to depots day and night. "The competition still has not caught up with us on that—and we are talking about something that is six years old," chuckles Dodd. But he admits that Unichem has so far failed to convince many of its members of the system's benefits.

A further attraction to potential customer-owners is Unichem's policy of guaranteeing any ICFC loan to chemists buying their own premises. This helps independents to compete with multiples for viable sites.

Imbalance

A chartered secretary, Dodd joined Unichem in 1969 and became managing director in 1971, when high overheads and gearing and low sales and profits brought things to a head; losses were escalating on sales of some £10m and something had to be done. Dodd's reorganisation blue-print was adopted, and proved successful.

At that time Unichem had only 600 members, and six distribution depots. It came a poor fifth in the market. Competition was fierce in the high street and weighed heavily on the corner chemist, but there was another, more basic cause of Unichem's ills.

There was a dangerous imbalance at the top of pharmacists ill-equipped to grapple with the day to day management of big scale business. Now the ratio on Unichem's board, at 4/8, may still seem weighted against the professional manager. But Dodd and his three executive colleagues on the board are unhesitant that they play the leading role—to control management and operations. The pharmacists guide policy; the executive team decides it.

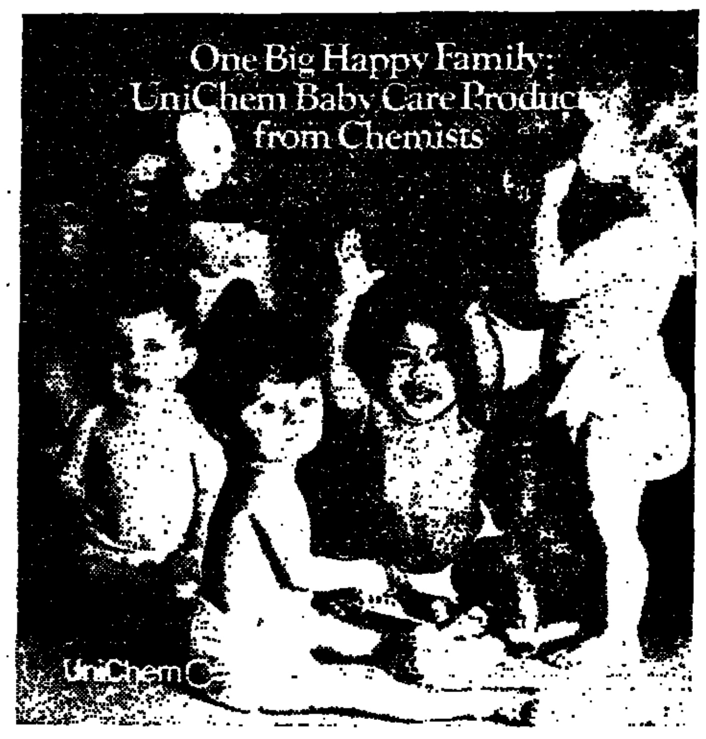
The four-man team includes Dodd, who has assumed responsibility for marketing; the finance director; the operations director, responsible for systems within the depots; and the management services director, in charge of the computer and in-pharmacy computer systems.

All four are in touch with the "grass roots" via seven regional committees that meet executives three or four times a year. The business employs 1,300 in all—mostly in the 12 depots.

With economies of scale and strong management of depots, Unichem has prospered since 1971. "Our depot managers are checked, watched, visited and occasionally rocketed. But they are men capable of running big business virtually independently. In Croydon our man is doing £2m worth of business a month."

"If we got all independent chemists to join Unichem, we'd double our turnover," muses Dodd, "so there is plenty of scope yet, although the market as such is not getting any bigger. People are becoming more health-conscious — eating less, smoking less, taking more exercise — all that is bad for business," he points out.

Membership was running at 4,000 some 18 months ago. But Dodd shed a number of uneconomic accounts. The current minimum monthly order on medical products is an undemanding £500 per unit. But happily most accounts do much better than the minimum. Over-the-counter product sales, on which no minimum is imposed, tend to come through in at least equal force once an account comes alive.



Peter Dodd: providing professional management for a chemists' co-operative where a substantial part of turnover now comes from own brand products

At present just 256 of the 10,000-12,000 drug lines carried by Unichem represent 60 per cent of its drug sales. A substantial part of its turnover of OTC products is accounted for by its own brand products, in baby care and such requisites as rubber gloves, shaving brushes, hot water bottles. They are all products that do not command brand loyalty: are of good quality and value; and are more likely to be purchased from a chemist than any other outlet. More are to be added to the range.

The advertising budget for Unichem's own branded products is a modest £250,000. Previous campaigns—at least twice as expensive — were beamed on products which the manufacturers were promoting so that Boots, Woolworth and other multiples cashed in on Unichem's advertising. The new strategy is to develop demands for brands that can only be bought at an independent chemist.

Dodd remains quietly confident that while some competitors are sacrificing profits for greater volume, Unichem will not be tempted into that game. As he gets into his splendid convertible white Rolls, he says: "We would rather make a 1p on fewer sales than lose a 1p on bigger volume. That is called going broke slowly. We're in the happy position of waiting for others to do just that."

Industry teaches MPs a lesson

FOR MEMBERS of Parliament the reality of industry is often a remote experience, yet it is they who are at the sharp end of making vital decisions about its welfare.

Equally there is a paucity of knowledge among industrialists about the intricacies of the parliamentary system — and businessmen probably have most to lose when this contributes to bad law making. While this state of affairs persists, some evidence is emerging to suggest that the gulf of misunderstanding could be narrowing.

A total of 95 MPs have now participated in a unique training scheme organised through the Industry and Parliamentary Trust, a body established in 1977 on the initiative of a number of British manufacturing companies to improve understanding between industry and parliament.

And now Standard Telephones and Cables, one of the participating members of the Trust has just produced the first detailed case study of its training programme tailored to meet the needs of two of those MPs. The document, which includes the views of the MPs, gives the programme a general stamp of approval, although the company, a subsidiary of International Telephone and Telegraph Corporation of the U.S., says that any final judgement on the cost-benefits "must be left to a very much later date and considered in the light of the IPT's success in operating the scheme nationally."

The MPs involved in STC's programme were Michael Neubert, a Conservative with a business background in a service industry, and Kenneth Woolmer, a Socialist and former university lecturer. Both their parliamentary interests fitted closely with STC's activities.

STC is one of 27 British companies which have undertaken to provide a 25-day bespoke training programme for members of the Commons, the Lords and the European Parliament.

STC is also the first company to cost out the 12-month exercise. Including the annual subscription to the IPT, which has recently been cut from £6,000 to £3,000, management time, transport and refreshments, the company estimates that a "realistic" cost is between £15,000 and £20,000.

Referring to the IPT's objectives—to teach MPs about industry and the company, and to teach the company about MPs and how the parliamentary process works—STC says: "Both objectives have been met with emphasis perhaps on the former."

The case study outlines how STC organised the MPs' training programme around their stated interests and a busy parliamentary schedule.

The first move was to organise a preliminary meeting to agree a general approach to the training programme. Among the factors identified for planning purposes was the need to give advance notice of all arrangements and place the bulk of the training effort into the parliamentary recesses; another consideration was to involve the MPs in plant life and ordinary activities.

The company decided to split the programme into two separate time periods, the first of which introduced the MPs to the company, its organisation and operations.

Phase two moved to the shop floor during the summer recess the period when time availability for the MPs was at its greatest.

"It is difficult to see, on reflection, how the programming could have been improved from the planning point of view, bearing in mind the need to accommodate busy MPs and equally busy company executives and staff," says STC. "Inevitably, compromise is necessary and selectivity essential, based upon availability of specific events and individuals as well as their accessibility."

General approbation for the programme was also given by the two MPs. Said Neubert: "My assignment to STC provided two bonuses: the company is mainly active in telecommunications (one of his interests), potentially a considerable growth sector and currently undergoing a radical change in the UK through liberalisation, and is also a subsidiary of the American company ITT. This added a multinational dimension to the exercise."

Two-way

"Describing the experience as "well worth while," he added: "Starting with a number of single briefing meetings at company headquarters, the pieces fell into place in the summer recess when a substantial amount of time was spent at the main industrial site at New Southgate and in Northern Ireland. The most valuable experience was to attend and observe routine meetings at different levels, not organised for our benefit, and to face real problems.

"It was on these occasions that my wish to get under the skin of the company came closest to achievement."

Woolmer was equally appreciative, describing the scheme as "useful." But he warned that it was difficult to get the two-way benefit implied by the scheme's objectives. "The MP is likely to benefit more from any one venture than the company, whose personnel will not really learn much more about how Parliament and politicians work, unless that is deliberately structured into a programme of activity."

Arnold Kransdorff

LOMBARD

Social market democrats

BY SAMUEL BRITTAN

THE ABSURDITY of the left-right view of life was demonstrated by the Fourth Hoover Lecture, "The Social Market" given at Strathclyde University last week. The cliché-monger might assume from the title that it was given by Sir Keith Joseph, who first popularised the term in Britain. But he would be completely wrong. For it was given by Dr David Owen, who is normally placed in the centre, or just left of centre in the spectrum.

Dr Owen's starting point is the need for greater emphasis on markets and "the commercial and competitive imperatives on which our prosperity depends." He also let the cat out of the bag about decentralisation. It cannot mean only geographical autonomy. "It must by its very nature endorse the market mechanism because the market is a continuous referendum. But it must also challenge the concentration of industrial and economic power."

Differentials

Nor does he stay at the level of generality. He roundly condemns the norms and percentages of centralised incomes policies, which tried to compress or freeze differentials and prevent negotiators from taking local market forces into account. Dr Owen differentiates his own position very clearly from the "wets" and paternalists who loom so large even in a Thatcher Cabinet. The delay in slimming British Steel has, he rightly observed, increased rather than alleviated social hardship. He questions whether British Leyland can recover. He is open-minded on equity shares for British Aerospace and British Airways.

Above all he attacks the centralised public sector bargaining which presents governments with the unenviable choice of financing inflationary settlements, discriminating against the private sector or sitting out strikes with monstrous inconvenience to the public. Of course, Dr Owen has not solved the problem. But his suggestions, such as greater financial self-reliance by local authorities, a decentralised National Health Service partly financed from local revenue and smaller bargaining units for Civil Service pay, point the way we need to go.

Of course, there are key details of the lecture which one can criticise. Dr Owen suggests that the 1964 Labour Government's National Plan might have succeeded if that Government had devalued straight away and given growth priority. I can claim a personal interest here, as I wrote a PEP pamphlet putting this very argument and in fact helped to draft part of the National Plan's introduction. But I now believe this was wishful thinking.

Framework

The obvious gap in the lecture is an account of the macro-economic framework. But perhaps this is fortunate. The monetary approach to inflation, and the "pricing into jobs" approach to employment, are still too associated in the popular and political mind with Thatcherite Conservatism for espousal elsewhere. But in a practical way Mr John Horam, Social Democrat economic spokesman, has been showing in the Finance Bill debates, how the Medium Term Financial Strategy could be achieved by entirely different fiscal measures—such as the indexation of personal allowances even at the expense of a rise in the basic rate—which would be socially equitable and reinforce market incentives. He has also been almost a lone voice against the conservative defence from both Front Benches of tax subsidies for owner occupiers, pension and insurance funds, which do so much to impair mobility and market incentives.

The area where Dr Owen—like the rest of us—is still clearly searching is the "social" aspect of the "social market." There is a widespread sense that something more is required from the state than the standard textbook provision of public goods, for which a charge cannot be made, or environmental "spillover" effects or social security. While industrial democracy, not dominated by the union apparatus, would probably be beneficial, genuine enthusiasm for it is rare. Action is not required for its own sake; but there does happen to be a whole policy area, best described as "citizen property rights," crying out for attention, and on which nothing will happen unless the Social Democrats take it up. That, however, is a story for another time.

Redrawing the video battle lines

FILM AND VIDEO

BY JOHN CHITTOCK

HOWEVER MUCH one may try to escape from video — in quest of restoring some sense of balance in media coverage — video just refuses to go away. Last week in London it was the turn of the so-called "trade shows" with manufacturers, dealers and retailers rubbing shoulders in crowded hotel rooms — enjoying pizza pies and Chianti in settings more reminiscent of Pinewood Studios. The week before, delegates, speakers and video-cassette programmes from various countries of the world converged on London for International Video Week.

It had been my own intention on this occasion to merely take a critical look at some of the video programmes entered for the competitive festival during International Video Week, but technical developments are still nosing to the front for attention.

Refinement

Two weeks ago, the running was made by Thorn EMI and JVC with their demonstration of the VHD video disc player. This has been seen before, but in a more rudimentary version —and the machine is still clearly undergoing rapid refinement in the race to get it on the market as a challenge to Philips and RCA and their respective allies.

Those who saw this latest demonstration seem generally agreed that the performance gap between VHD and the Philips LaserVision system is narrowing. Single frame access to any part of a VHD disc is now almost (but not quite) comparable to the facility on the Philips machine — albeit without some of the refinements.

The machine now looks very compact compared with the rather bulky LaserVision player. And, perhaps most important of all, Thorn EMI radiates a feeling of deadly earnestness and confidence, backed by a £2.3m budget to finance programmes for the launch of the system.

Back in the High Street, however, it is the videocassette war which is hotting up. As in the tape versus disc punch up, the main combatants include Philips, Sony and JVC. But the new videocassette development in this battle is the re-emergence of Philips — supported by Grundig.

Until now, the videocassette fight was effectively a two-cornered contest between JVC and Sony (each with powerful seconds in their corners); and JVC has generally claimed a 6 to 4 lead. Philips had dropped out temporarily whilst bringing to the market its new V2000 system, which last year experienced numerous and significant marketing problems.

Although a very interesting machine, I suspect many of us were beginning to write it off following the criticism and the inactivity which characterised this launch. But at the trade shows last week, Philips and Grundig rejoined the fray in an impressive show of rejuvenation.

As a run-up to the royal wedding, Philips has prepared a £2m-plus promotional campaign, aimed "at establishing Video 2000 as a major force in the UK video market."

Dealers all over the country have been receiving glittering presentations which precede a Press and TV campaign. Central to the strategy is that with only 3 per cent of the UK market penetrated by videocassette recorders, there is still plenty of room to take on Sony and JVC.

More significant, however, is the fact that some members of the audio-visual Press now seem to be much more impressed with the V2000 machine. Its performance is rated highly, and with plug-in circuit boards and mechanical components it is extremely easy for dealers to service.

The main operational advantage of the V2000 is its extended running time on a cassette of similar size to its rivals. Generally the maximum recording / playback time of a Sony or JVC type cassette is a little over three hours; the V2000 yields 2x4 hours—that is, four hours on one half of the tape, at the end of which it can be turned over (like an audio-cassette) to give a further four hours.

In future models, it will not be necessary to turn the cassette over manually: at its end the tape travel will reverse and the track will change automatically. Other refinements are imminent, such as a stereo sound version from Grundig later this year. The newest Grundig machine also has a compactness and range of refinements that makes it look a very *serious* rival to its Japanese competitors.

It all goes to prove that video remains an extraordinarily volatile industry. Anything goes and almost anything might happen next week.

Nonetheless, it can be an extremely calming influence sitting in a cinema to watch videotape entries from 12 countries, which is what I tried to do during the International Video Festival. Perhaps boring rather than calming is a better word, because I still find the majority of video programmes tedious—overlong, lacking in originality and groping to find a style suited to the medium.

There were a few good entries even so. From the UK, I admired Rank Xerox's *Let's Get it Together* (surprisingly, it received no award in its category). This is a staff training programme: message — standard work procedures will benefit customers, employees and the company. The message is conveyed cleverly by using a troupe of mime artistes in an almost bare studio, a technique that curiously concentrates the mind.

Foreign entries tend to echo the national styles long associated with their films. Thus a West German programme (which did win a silver award), *Mixtures and Mechanical Separation*, sponsored by Bundesinstitut fur Berufsbildung. This is one in an educational series on chemistry, characterised (as are most German industrial films) by excellent camerawork and cogent explanations. But my dedication wilted at the 45-minute running time and I failed to see it through to the end.

An American entry, *Images for Imagination* (sponsored by Eastman Kodak) likewise follows the U.S. cinematic tradition in sponsored films: overkill. As a survey of photography, it is somewhat pretentious and has non-stop music track that is guaranteed to keep everyone awake. In a different class was UK Kodak's entry, *Focus on Kodak 81*, an employee communication programme which deservedly won the gold award in its category.

Humble bow

Some entries I saw, such as *Advantage Sweden* (sponsored by the Swedish Trade Council) obviously originated on film and mistakenly used the styles of the cinema. But full marks (and two festival awards) to the Japanese entry *The Manners of Receiving Visitors*, which made simple yet intelligent use of video as a medium.

This programme, sponsored by Nippon Recruit Center Company, would inflame women libbers in its sensitive instruction to female receptionists — the humble bow, backing out of *the waiting room*, the smile. Suddenly, England becomes the drabbest place in which to work. There is nothing ingratiating about this tape; it won extensive praise from delegates at the Festival and has too much charm to engender hostility.

If the Western electronics industry really are intending to take on the Japanese, I am sure there is a moral in this somewhere; but I lack the courage to speculate further.

Northern Sprint Handicap safe

RACING

BY DOMINIC WIGAN

THE HEAVY storms responsible for the abandonment of important fixtures such as Goodwood and Sandown as they swept the south, have not, in the main, brought such damage north of the River Trent. For this reason today's Northern Sprint Handicap card at Redcar should be safe.

Thirteen have stood their ground in the five furlong sprint on the County Cleveland track including Walter Osborne and Go Total, who shoulder a welter 10 stone 2 lb and 10 stone respectively. Both look to have too much to do off their handicap marks in the prevailing conditions and I much prefer the each-way chance of Kings Offering.

A tough, Frankincense gelding capable of producing his best on any surface, Kings Offering has not won in a good many attempts since making all his own running to score over the minimum trip at Chester a year ago.

However, he has not lost his ability over the past 12 months and at Newcastle six weeks ago was making the frame for the fourth time since that success when taking third place behind Flying Tyke and Walter Osborne in the Monkseaton Handicap.

On his running there, Kings Offering, something of a disappointment in two subsequent attempts on marginally faster ground, should not be hard pressed to reverse the placings with the winner and second whom he meets on 19 lb and 25 lb better terms respectively. He is preferred to Walter Osborne whom he opposes on 11 lb better terms than when they were separated by three lengths at Chester on May 7.

At Leicester, a course which has been luckier than most in escaping most of the weather, Capricorn Line will be the one they will also have to beat in the Forest Handicap. Luca Cumani's High Line colt, a chestnut son of Miss Bunty Vaughan's fine paddock proposition, the Derring-Do mare, Floradora Do, toyed with some admittedly modest opponents over today's trip in soft ground at Nottingham last month. He should follow up with the minimum of fuss in Carson's hands today before going on to much better things before the close of the season.

LEICESTER

3.25—Capricorn Line***

REDCAR

3.30—Kings Offering**

TV/Radio

BBC 1

† Indicates programme in black and white

6.40-7.55 am Open University (Ultra High Frequency only). 9.05 For Schools, Colleges. 1.12 pm Regional News for England (except London). 1.15 News. 1.30-1.45 The Flumps. 2.45 Pobol Y Cwm. 3.15 Songs of Praise. 3.53 Regional News for England (except London). 3.55 Play School (As BBC-2 11.00 am). 4.20 Godzilla. 4.40 The Record Breakers. 5.05 John Craven's Newsround 5.10 Children of Fire Mountain.

5.40 News.
5.55 Nationwide (London and South-East only).
6.20 Nationwide.
6.50 Rolf Harris Cartoon Time (London and South-East only).
7.20 Taxi.
7.45 The Tuesday Film: "A Short Walk To Daylight."
9.00 News.
9.25 Casino.
10.15 Goodbye Darling . . .
11.05 Platform One.
11.35-11.40 News Headlines.

All Regions as BBC-1 except as follows:

Cymru/Wales — 5.10-5.40 pm Bilidowcar. 5.55-6.20 Wales Today. 6.50-7.20 Heddiw. 11.35 News Headlines, News and Weather for Wales.

Scotland — 10.10-1.15 pm The Scottish News. 5.55-6.20 Reporting Scotland. 6.50-7.20 Rolf Harris Cartoon Time. 11.05 Current Account. 11.35 News and Weather for Scotland.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 6.50-7.20 'Bout You. 11.05 Gallery: "The Laughing Boy." Brendan Behan recalled by Niall Tobin. 11.35 Jail House Rodeo. 12.25 am News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds); Look North (Newcastle); Look North-West (Manchester); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South-West (Plymouth). 6.50-7.20 pm East (Norwich)—Focus: Power Struggle; Midlands (Birmingham)—Buying Time; North (Leeds)—Miners on the Move; North-East (Newcastle) — Teacher; North-West (Manchester)—To Oulton With Love; South (Southampton)—Support Your Local . . . Entertainer; South-West (Plymouth) — Polished Brass: The Sherborne Town Band; West (Bristol)—Day Out (Weston-Super-Mare).

BBC 2

6.40-7.55 am Open University.
10.30 Supervisors.
11.00 Play School.
4.50 pm Open University.
6.55 The Great Egg Race.
7.25 Mid-evening News.
7.40 Images of War.
8.00 Hindsight: Lord O'Neill, Prime Minister of Northern Ireland from 1963-69, talks to Eric Robson.
8.30 The Theatre Quiz.
9.00 Pete Sayers Entertains.
9.25 Maybury.
10.20 Top Gear.
10.50 Newsnight.
11.35 The Old Grey Whistle Test.

LONDON

9.30 am Cartoon Time. 9.45 The New Accelerators. 10.10 African Waterhole. 10.35 Animated Classic. 11.20 A Big Country. 11.50 Betty Boop Cartoon. 12.00 Cockleshell Bay. 12.10 pm Pipkins. 12.30 The Sullivans. 1.00 News plus FT Index. 1.20 Thames News. 1.30 Crown Court. 2.00 After Noon Plus. 2.25 Racing from Sandown Park, covering the 2.30, 3.05 and 3.35 races. 3.45 Square One. 4.15 Aubrey. 4.20 The Moondogs Matinee. 4.45 Ace Reports. 5.15 Emmerdale Farm.

5.45 News.
6.00 Thames News.
6.25 Help!
6.35 Crossroads.
7.00 Mind Over Matter.
7.30 Charlie's Angels.
8.30 Thicker Than Water.
9.00 ITV Playhouse.
10.00 News.
10.30 For God's Sake Care.
11.30 Rockstage.
12.25 am Close: Sit Up And Listen with Lord March.

All IBA Regions as London except at the following times:—

ANGLIA

9.30 am Laurel and Hardy in "Bacon Grabbers." 9.50 Rocket Robin Hood. 10.10 Call It Macaroni. 10.35 Animated Classics. 11.20 Bill, Peggy, Royal and Friends . . . 11.50 The Bubbles. 12.30 pm Gardening Today. 1.20 Anglia News. 6.00 About Anglia. 7.00 Enterprise. 11.30 Tenspeed and Brown Shoe. 12.25 am Fresh Voices.

ATV

9.30 am A Story of Tutankhamun. 10.15 Tarzan. 11.00 Sesame Street. 12.30 pm Gardening Today. 1.20 ATV News. 3.45 Mind Over Matter. 5.15 Happy Days. 6.00 ATV News. 6.05 Crossroads. 6.30 ATV Today. 7.00 Emmerdale Farm. 11.30 ATV News. 11.35 Paris.

BORDER

9.30 am Wild, Wild World of Animals. 9.55 "Bindle." 10.30 Roses Cricket: Lancashire v. Yorkshire. 1.20 Border News. 5.15 Roses Cricket. 6.00 Lookaround Tuesday. 7.00 Emmerdale Farm. 11.30 Border News Summary.

CHANNEL

12.30 pm Gardening Today. 1.20 Channel Lunchtime News, What's On Where and weather. 5.15 Emmerdale Farm. 6.00 Channel Report. 7.00 Welcome Back Kotter. 10.28 Channel Late News. 11.30 Commentaires et Previsions Meteorologiques.

GRAMPIAN

10.05 am First Thing. 10.10 Larry the Lamb in Toytown. 10.20 Target the Impossible. 10.50 Hands. 11.10 Chips. 12.30 pm Mind Over Matter. 1.20 North News. 6.00 North Tonight. 7.00 The Entertainers. 7.30 The Incredible Hulk. 11.30 North Headlines. 11.35 Police Surgeon.

GRANADA

9.30 am Mumbly. 9.40 Circus. 10.05 Night Prowlers of the Deep. 10.35 Roses Cricket—Lancashire v. Yorkshire. 1.20 pm Granada Reports. 3.45 Roses Cricket from Old Trafford. 5.15 Roses Cricket (final visit). 6.00 Granada Reports. 6.30 This Is Your Right. 7.00 Emmerdale Farm. 11.30 After All That, This. 11.40 Bisley.

HTV

10.05 am Next Patient Please. 10.30 "The Million Pound Note" starring Gregory Peck. 12.30 pm Mind Over Matter. 1.20 HTV News. 5.15 Goofy Groceries (cartoon). 5.20 Crossroads. 6.00 Report West. 6.30 Diff'rent Strokes. 7.00 Emmerdale Farm. 7.30 Hawaii Five-O. 10.28 HTV News. 11.30 Father, Dear Father.

HTV Cymru/Wales—As HTV West except: 12.00 Poli a Pili. 12.05-12.10 pm Calimero. 4.15-4.45 Camigam. 6.00 Y Dydd. 6.15-6.30 Report Wales. 7.30-8.30 And Did Corruptly Receive. 10.30 Y Fam, Ddaear a'i Phlant. 11.15-12.15 am For Gods Sake—Care.

SCOTTISH

10.00 am Hands. 10.25 Natural Environment. 10.40 Story Hour. 11.35 Survival. 12.30 pm Gardening Today. 1.20 News Headlines and road report. 5.20 Crossroads. 6.00 Scotland Today. 6.20 Job Spot. 6.30 What's Your Problem? 7.00 Take the High Road. 7.30 Vegas. 11.30 Late Call. 11.35 George Hamilton IV.

SOUTHERN

9.30 am Kum Kum. 9.55 George Hamilton IV. 10.20 How the West Was Won. 11.55 Cartoon Time. 1.20 pm Southern News. 2.00 Housepartry. 5.15 Undersea Adventures of Captain Nemo. 5.20 Crossroads. 6.00 Day by Day including Southsport. 7.00 Emmerdale Farm. 7.30 Vegas. 11.30 Tenspeed and Brown Shoe.

TYNE TEES

9.20 am The Good Word. 9.25 North East News. 9.30 Morning Movie: "Living Free" starring Nigel Davenport and Susan Hampshire. 10.55 Roses Cricket: Lancashire v. Yorkshire. 1.20 pm North East News and Lookaround. 5.15 Roses Cricket. 6.00 North East News. 6.02 Crossroads. 6.25 Northern Life. 7.00 Emmerdale Farm. 11.30 North East News. 11.30 WKRP in Cincinnati. 12.00 The Church in Leeches.

ULSTER

11.0 am Magilla Gorilla. 11.10 Chopper Squad. 1.20 pm Lunchtime. 3.45 Mind Over Matter. 4.13 Ulster News. 5.15 Cartoon Time. 5.20 Crossroads. 6.00 Good Evening Ulster. 7.00 Emmerdale Farm. 10.29 Ulster weather. 11.30 Bedtime.

WESTWARD

9.25 am Feature Film: "Casino Royale" starring Peter Sellers and Ursula Andress. 11.30 Out of Town. 12.27 pm Gus Honeybun's Birthdays. 12.30 Gardening Today. 1.20 Westward News Headlines. 6.00 Westward Diary. 7.00 Welcome Back Kotter. 10.31 Westward Late News. 11.30 Faith for Life. 11.35 West Country weather and shipping forecast.

YORKSHIRE

9.30 am Larry the Lamb. 9.40 Patterns. 10.05 Tandarra. 10.50 Popeye. 10.55 Roses Cricket: Lancashire v. Yorkshire. 1.20 pm Calendar News. 3.45 Roses Cricket. 5.15 Roses Cricket (the closing overs). 6.00 Calendar (Emley Moor and Belmont editions). 7.00 Emmerdale Farm. 11.30 Pavilion Folk.

RADIO 1

(S) Stereophonic broadcast
‡ Medium wave

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.00 Andy Peebles. 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.30 Dave Lee Travis. 4.30 Steve Wright. 7.00 Talkabout with Adrian Love. 8.00 Richard Skinner. 10.00-12.00 John Peel (S).

RADIO 2

5.00 am Ray Moore (S). 7.30 David Hamilton (S). 10.00 Jimmy Young Live from Tokyo (S). 12.00 John Dunn (S). 2.00 The Ed Stewart show with Family Favourites (S). 4.00 Steve Jones (S). 5.45 News and Sport. 6.00 David Symonds with Music from Japan (S). 8.00 Hubert Gregg says I Call It Genius: Cole Porter (part 2) (S). 9.00 Marching and Waltzing (S). 9.55 Sports Desk. 10.00 Funny You Should Ask. 10.30 The Spinners and Friends with Mary O'Hara. 11.00 Brian Matthew with Round Midnight. 1.00 am Truckers' Hour with Sheila Tracy (S). 2.00-5.00 You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Morning Concert (S). 8.00 News. 8.05 Morning Concert (continued). 9.00 News. 9.05 This Week's Composer: Schubert (S). 10.00 Brahms (S). 10.45 Mozart (S). 11.20 Norma Burrowes song recital (S). 12.05 pm BBC Welsh Symphony Orchestra concert, part 1 (S). 1.00 News. 1.05 Six Continents. 1.25 Concert, part 2 (S). 2.15 Russian Music (S). 3.25 Colonne Orchestra (S). 4.25 Jazz Today (S). 4.55 News. 5.00 Mainly for Pleasure (S). 7.00 The Dishonourable and Unprecedented Transaction or how Wellington's career as a General was almost destroyed by the Press before it was properly begun. 7.30 "Die Burgschaft" ("The Pledge"), opera by Kurt Weill, Act 1 (S). 8.30 Aspects of Imagination. 8.45 "Die Burgschaft," Acts 2 and 3 (S). 10.00 Conversations with Artists. 10.45 Balbastre (S). 11.00 News. 11.05-11.15 Schumann (S).

RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping forecast. 6.30 Today, including 6.45 Prayer for the Day. 7.00, 8.00 Today's News. 7.30, 8.30 News Headlines. 7.45 Thought for the Day. 8.45 Lord Arthur Savile's Crime. 9.00 News. 9.05 Tuesday Call. 10.00 News. 10.02 From our own Correspondent. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Thirty-Minute Theatre. 11.35 Wildlife. 12.00 News. 12.02 pm You and Yours. 12.20 Down Your Way visits Montrose on the east coast of Scotland. 12.55 Weather; Programme News. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Cold Comfort Farm by Stella Gibbons (S). 4.00 Begged, Borrowed or Stolen. 4.15 Margaret Bellay's Diary. 4.45 Story Time. 5.00 PM: News magazine. 5.50 Shipping forecast. 5.55 Weather; Programme News. 6.00 News, including Financial Report. 6.30 Brain of Britain 1981 (S). 7.00 News. 7.05 The Archers. 7.20 The Hitch-Hiker's Guide to the Galaxy (6) (S). 7.50 The Legion is My Country (S). 8.30 A Touch of Genius: Robin Ray traces the artistry of Russian cellist, Mstislav Rostropovich, 3.05 In Touch. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 The Small, Intricate Life of Gerald C. Potter. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 9.03 Morning Star. 10.03 The Robbie Vincent Telephone Programme. 12.30 pm London News Desk. 2.00 The Tom Music Show. 3.30 Tony Blackburn. 5.00 News. 5.15 Music on the Move. 6.33 Openings. 7.03 Black Londoners. 8.00 As Radio 1. 10.00-5.00 am Join Radio 2.

London Broadcasting

6.00 am AM Douglas Moffitt and Douglas Cameron. 10.00 Brian Hayes. 1.00 pm LBC Reports. 3.00 George Gale. 4.00 Nightline. 12.00 LBC Reports Midnight. 1.00 am Night Extra. 4.00 LBC Special. 5.00 Morning Music.

Capital Radio

7.00 am Mike Smith's Breakfast Show. 10.00 Michael Aspel. 12.30 pm Roger Allen. 1.00 First Report. 1.10 Mike Allen (continued). 3.00 Roger Scott. 4.30 London Tonight. 8.30 Nicky Horne Your Mother Wouldn't Like It. 9.00 John Sachs's Late Show. 12.00 Midnight Special.

F.T. CROSSWORD PUZZLE No. 4,577

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ACROSS

1 Just look out for reasonable chance (4, 8)
10 Pep up a friend from Northern Ireland (7)
11 Body produced in motoring summons (7)
12 Old lady wins early model award (5)
13 Measure information the German may produce (8)
15 Figure commanding officer finally as an aggressive unbeliever (10)
16 Notice outside right dried up (4)
18 Big difference in oil supplier (4)
20 Reason county was oppressed (6, 4)
22 Pharaoh in short ought to storm teaching (8)
24 Praise from endless bell-ringing (5)
26 Sprinkle salt on horse with pipe (4-3)
27 Parson eccentric about right thing for Highlander to wear (7)
28 Place for the young with inclination towards Alpine practice ground (7, 5)

DOWN

2 Worked up in music by a soldier thanks to . . . (7)
3 . . . Soldiers' battle response (8)
4 Look lecherously about the dance (4)
5 Clear ring call only slightly unpunctual (7, 3)
6 Old fashioned at all times? That's weird (5)
7 Rubbish on duck-walk below junction (7)
8 Amused to handle butt (8, 5)
9 German account of the golden Elizabethan age (6, 7)
14 Clear lead over bird-note to clever film star (5, 5)
17 Advantage as well left with cutter (4, 4)
19 Subsequent article on church council (7)
21 Made public yield to manifestation (7)
23 TT rider takes family on river (5)
25 Notice telepathy by youth leader (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

FINANCIAL TIMES

PUBLISHED IN LONDON & FRANKFURT

[illegible]

INTERNATIONAL & BRITISH EDITORIAL & ADVERTISEMENT OFFICES

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THE ARTS

English Bach Festival

St. John Passion

by DOMINIC GILL

There's no adventure without risk. Lina Lalandi's ever-enterprising English Bach Festival (hard pressed as it is by budget-squeeze) took a calculated gamble on the German contemporary-music group *Hinz und Kunst* last week, and lost. Both the playing, and the programme, were dull. Three days later, on Thursday, the EBF cast the die again by presenting as the Bachian climax of its season a performance of the St John Passion sung by the visiting Tölz Boys' Choir from Bavaria accompanied by the Festival's own small *ad hoc* Baroque ensemble. It was not a performance entirely to my taste: but the risk was well taken, and the evening on its own terms a resounding success.

The founder and director of the Tölz Choir, Gerhard Schmidt-Gaden, conducted. Dr Schmidt-Gaden is evidently an exponent of the brisk, no-nonsense school of modern "authentic" Bach performance —one of whose notable characteristics, as well as generally fast tempi, is an aversion to notes any longer than a crotchet (a single beat).

Where it was unequivocally necessary to the sense of a melody or a metre, Dr Schmidt-Gaden would allow a minim, or even longer, to pass. But whenever he might without evidently allowing the music to fall apart, he would prune long notes ruthlessly: pauses of whatever length at the phrase-ends of Chorales were snipped to a quaver; and more seriously still, any note of a minim or longer in the organ-continuo part of the recitatives was cut back to a crotchet stump. There is no doubt that this procedure created the apparently desired effect of *secco* recitative — intriguing if, surely, incorrect; but many of Bach's longer bass notes actually incorporate striking changes of harmony in the course of their duration which were all of them lost—a suppression to be infinitely regretted.

This curious desiccating mannerism apart, it was a reading of energy and commitment. After a while, I got used to the fast tempi: and they served to underline the wonderful, unswerving dramatic momentum of the music, straight as an arrow, and razor sharp. The Tölzer boys were a delight: never plummy, like Kings', or schmaltzy, like the Viennese, they gave every measure with fine nuance but straight to the point—a strong, quicksilver tone, pungent, accurate and crisp in attack. To hush their cries of "Wohin?" in the bass aria "Nach Golgatha" to a breathless pianissimo-tiny, luminous inner voice—was a splendid inspiration.

Heiner Hopfner from Kassel was a sensitive, forthright Evangelist, and Richard Jackson a resonant Christus. Ian Partridge and David Wilson-Johnson gave their tenor and bass arias with elegance and ardour. Paul Esswood, the countertenor, sang the marvellous "Es is vollbracht" with great poise, and with a real semblance of grief. Instrumentally the evening was more patchy: but at its best determined, under Dr. Schmidt-Gaden's driving beat, the playing had an infectious confidence.

Naïs

by RONALD CRICHTON

A semi-staged performance of Rameau's *Naïs* ended the 1981 English Bach Festival on Saturday—as an epilogue, the same composer's *Castor et Pollux* will be given a single hearing at Covent Garden on October 11. Lina Lalandi is perfectly right to persevere with her campaign for the recognition of Rameau. The fight for Handel as an opera composer has been a long one (much further back, the fight for Bach in general was longer still). The only way is to give at least a representative section of the public repeated opportunities of hearing the music. In London at least a public for Rameau exists and is growing. Some day the pioneering work may be crowned by a full-dress production that will do for Rameau what the ENO *Julius Caesar* has done for Handel.

And if *Naïs* did not make that happy day seem close at hand, the half-loaf was undoubtedly better than none. Last year at the Old Vic the same work was staged with the same splendid costumes based on Bocquet, minimal sets, and the EBF Baroque Orchestra squashed into an unflattering pit. On Saturday at the Festival Hall the orchestra and EBF Chorus were behind the solo singers, at one side of the stage. Baroque instruments are anyway at a disadvantage in this hall: the sensuous side of Rameau's instrumental writing (also his way of using exposed woodwind as tartly as Mahler and as suddenly as Bruckner) registered only precariously. Distance probably made the conductor Nicolas McGegan's rhythms seem less forceful than they really were. His habit of pausing a fraction too long between numbers, however, did not increase dramatic tension.

Given the fact that every time the soloists passed in front of orchestra and chorus their costumes immediately looked half as effective, Tom Hawkes managed the semi-staging with considerable tact. The EBF dancers were once again on hand with Belinda Quirey's baroque-style choreography. Seeing the Chaconne in the Isthmian Games sequence from a terrace seat, rather than from a stall at the Old Vic, one could appreciate the way the movements reflect the musical structure. Unfortunately the size of the hall made the lack of strong personalities in the solo dancing more apparent than before.

It is fascinating to follow how Miss Lalandi's singers are mastering the difficult style. Ian Caddy (Jupiter and Telenus) and Lynda Russell (title-role) are thoroughly at home in it. Scarcely less so Michael Goldthorpe, in the high tenor part of Neptune—one felt quite concerned that the romance between sea-god and water-nymph should prosper. Henry Herford had the strongest projection (almost too strong for the aged Tiresias). Excellent support from Ann Mackay, Brian Parsons and Richard Angas. The profusion and quality of Rameau's musical invention was never in doubt. One looks forward to savouring *Naïs* in the Erato recording made by the EBF forces and announced for release next October.

Romantics Festival for London

London's first *International Festival on the Romantic Movement* (July 20-24), celebrates the works of poets, writers, artists and composers from 1780 to 1840.

Among those appearing at events, all to be held at South Bank venues, will be Alan Bates in a show on Byron, written and presented by Frederic Raphael, George Steiner talking on *The Romantic Spirit*, Germaine Greer asking "Where were the Women?" and, playing early Romantic music, from Beethoven to Chopin, The Chilingirian Quartet, The Chamber Orchestra and other international musicians.

Further information from Ros Toland (734 0243)

British Museum

The Image of Augustus

by ROY STRONG

The age of Augustus for centuries has epitomised the ideal of *renovatio*, the era when the known civilised world was subject to the rule of one man in whose reign Christ was born. For the middle ages and the renaissance this sanctified the empire and, by implication, the emperor. In the time of Augustus Vergil lived, whose *IVth Eclogue* sang of the birth of a child who would restore the Golden Age to fallen man and Justice, the maiden Astraea, would descend once more to the earth from whence she had fled.

The early Christian Fathers identified that child with Christ, turning Virgil into a kind of pagan prophet. The presence of Christ in the age of Augustus was even to sanctify classical architecture for renaissance man as it was then that Vitruvius wrote. It was also to sanctify imperial portraiture in the encounter recorded in St. Matthew: "They handed him a silver piece. Jesus asked, 'Whose head is this and whose inscription?' 'Caesar's,' they replied."

The British Museum exhibition *The Image of Augustus* takes as its theme this one aspect of the deliberate creation of a mythology, the portraiture of Augustus during his own lifetime. Everywhere we look in the exhibition one is struck by the fact that a ruler's image, as it was assimilated and transmuted by the Roman Republican tradition from Hellenistic models, presented him as a combination of the head of a philosopher-saint with the body from an advert for a health club.

The eyes have a far away look as though in divine communion. The muscles of the face express tension and the hair is carefully waved and brushed forward to form an aureole to the features. It is impossible to connect any of these images with the reality of Augustus as described by Suetonius: "He did not dress extravagantly and cared so little about his hair that several barbers worked furiously on it at the same time. His beard was either trimmed or shaved while he continued reading or writing. He had clear bright eyes . . . few teeth, which were small and dirty . . . his hair was yellowish and slightly curly, his eyebrows met and his nose jutted out and then turned inwards."

In other words we are looking at the deliberate fabrication of an image powerful enough to hold together what was to become the Roman Empire. It is something as familiar to us two thousand years later as the machinery of our political parties fabricate their leaders' images, tidying up Mrs. Thatcher's clothes and hairstyle, controlling make-up and lighting for TV appearances, choosing the right photographic images for the leaflets and hoardings. In the media age the projection is instant. For Augustus it was a longer process of distribution by means of statues and coins.

It was also a more controllable one because few ever saw him. As in everything else it revealed the genius of the man. Kingship was alien to Roman traditions, an importation from the east. The move to create an imperial family and hence a dynasty was a slow and controlled one in which Augustus carefully overlaid existing institutions and customs. He presented himself merely as *princeps*, first citizen of the restored Republic and deliberately eschewed deification, preferring to bathe more subtly in the glow of that conferred on Caesar.

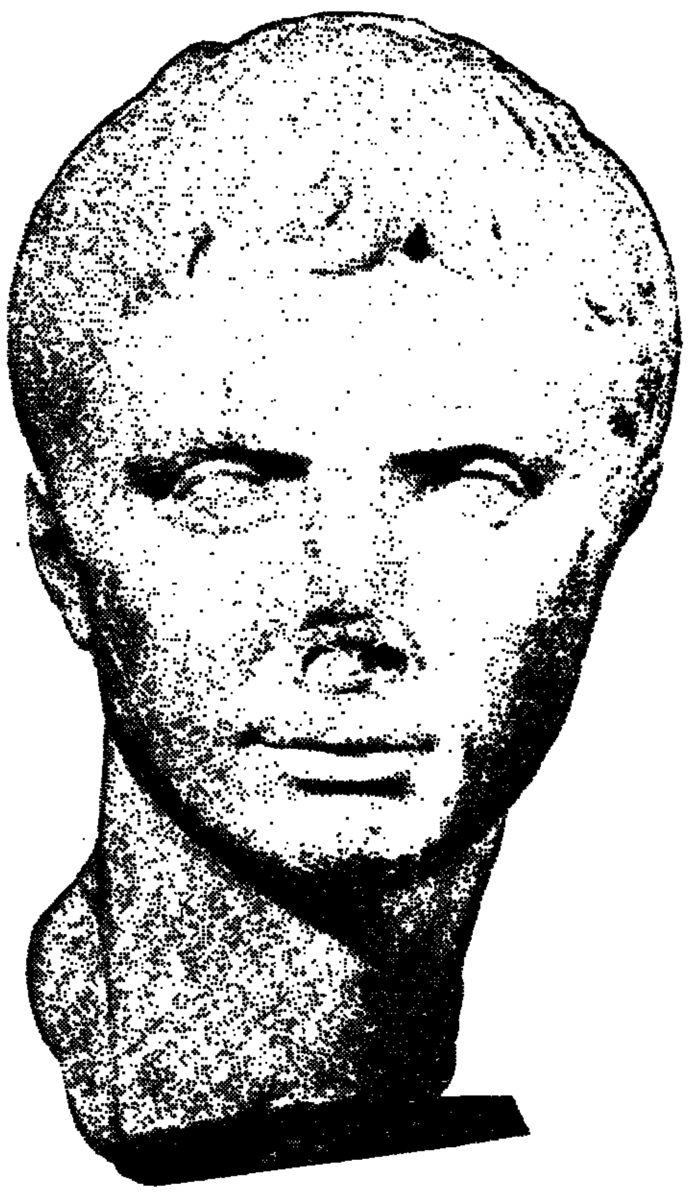
And yet, for the first time, the idealised likeness of one Roman citizen was multiplied and copied across Europe and Africa from Cologne to Seville, from Leptis Magna to Cairo. The Roman portrait traditions he inherited were of grim austerity, the images of ancestors kept in a cupboard in the atrium of the houses of patrician families, masks worn at funerals to remind a younger generation of the virtues of their forefathers.

These were wax copies of death masks and although they were not used as a basis for stone sculpture they embodied a warts-and-all approach that Augustus gradually suppressed in favour of Greek idealisation. The most famous of these must be the full length statue from the Villa Livia at Prima Porta attired as a Roman general and depicted with his right arm extended in the act of addressing his troops, a pose to be revived centuries later by Titian for the Marchese del Vasto and by Van Dyck for Strafford.

It is an heroic, noble figure, with idealised features, a cuirass sculpted to emphasise an ideal body beneath. On the cuirass the gods are depicted presiding over the recovery of the standards lost to Parthians at the battle of Carrhae in 53 BC. Cupid sits astride a dolphin by his right leg referring to Augustus's ancestress, the goddess Venus. His feet are nude, a direct concession to Greek ideals. The composition is a brilliant compromise between the idea of *princeps* and the incipience of *imperator*.

The coins take exactly the same ambiguous stance. There is no aggressive glittering crown but instead his head is encircled by the *corona civica*, the garland of oak leaves awarded for saving a soldier or citizen from death. His features are tidied up and the coin reverse could elaborate the message of his rule with the simple figures of Victory and Peace. As the reign developed they offered an ideal propaganda vehicle to celebrate his achievements: a suppliant Parthian kneels to return a Roman standard, Augustus revives the figure of *Respublica* like Christ raising Lazarus, Victory crowns him while he rides in a chariot drawn by elephants atop a viaduct.

In other words the exhibition makes an academic point and makes it well drawing on the museum's resources. Apart from the huge cameo of Augustus there is little to aesthetically excite and the whole is packaged in that identikit form of exhibition installation that evolved in the 1950s, very respectable and safe and sure of an *alleluia* from the Museum's Association. And there is a tendency to overdidacticism which is a form of creeping paralysis in the museum world at the moment. Museums are actually there to make people think but draw their own conclusions.



Marble portrait head of Augustus, probably made after his death in AD 14

Pitlochry

Liberty Hall/The Miser

by ANTHONY CURTIS

Michael Frayn's satirical farce, previously seen at Greenwich, and in an earlier version at Guildford, takes us into an intriguing looking-glass land of modern history. In some way never explained, everything has become reversed: the Communist Revolution of 1917 occurred here, not there: Britain is now (January 1937) under totalitarian rule, Russia is the capitalist democracy. The former Royal resident of Balmoral Castle has become a state writers' home run by a harassed trade union official called Skinner. The scene is the frugally heated breakfast-room, where on this bleak morning Godfrey Winn (Desmond Maurer), Warwick Deeping (Louis Haslar) and Enid Blyton (Anne White) troop in disconsolately to partake of what purports to be kedgeree.

The Scottish sounding-board for Mr Frayn's sophisticated jokes provided by the setting and taken up in the figure of the butler, McNab (a part tailor-made for the late Alistair Sim) makes this an ideal choice for the second play in this year's Pitlochry Festival. Somehow the whole thing has a sparkle, in this production by Brian Shelton, that it lacked at Greenwich. This is due in part to an excellent performance by Leon Sinden as the egregious Skinner, in part to the magnificent bravura of Walter Carr in the taxing double role of McNab and Hugh Walpole, and in part to some judicious cuts in the text made by the author.

After the Orwellian opening, where the audience is pardonably somewhat at a loss to know what precisely is happening, Gogol's *The Government Inspector* seems to take over as the model. Poor Skinner is terrified at the thought of the arrival of such an inspector to go through his books. But when the dreaded invasion occurs it is from a visiting Russian journalist (Jonathan Battersby) and his pretty English guide (Julia Schofield), who both turn out to be devoted admirers of Hugh Walpole. Unfortunately, the latter has just died on stage of a heart attack. Skinner dresses up McNab in Walpole's clothes and hopes to pass him off as the novelist.

The funniest moments of the evening occur as the visitors attempt to question the putative Walpole about his novels. After that high-point, the play, in spite of some very ingenious tricks, seems to lose momentum in a prolonged drunken ensemble in which further identities are swapped among the inmates. However, the entire cast rises resourcefully to the unusual challenge of this entertaining play, which seems likely to be the most controversial work in this year's Pitlochry season.

*

The new Pitlochry Festival Theatre received a grant of £500,000 towards its construction from the European Regional Development Fund, so it seems only right that the repertory of plays produced should contain a European as well as a Scottish element.

This season they are presenting Molière's *The Miser* in the serviceable pre-war translation by Miles Malleson.

Geoffrey Scott, the guest designer from the Birmingham Repertory Theatre, has filled the new stage with an impression of the interior of Harpagon's house of which the Comédie Française would surely not be ashamed. Here is a spacious marble floor on which stand the regulation three chairs and precious little else, save for the pillared entrances where the characters may come in to confront the miser in his den. In Walter Carr's interpretation Harpagon perches like a tall black crow ready to swoop down on any of the young people who make their, to him, extravagant demands, not least his son (Desmond Maurer) and daughter (Julia Schofield), and servants whom he bullies remorselessly.

Mr. Carr sustains the demanding role well but tends to overemphasise the senile side of Harpagon, turning him at times into a French Justice Shallow. Here is none of the harsh incisiveness that will brook no argument which Louis Jouvet used to give the part. However, Mr. Carr earned a well-deserved round of applause for his handling of the long soliloquy of woe when he discovers that his treasure buried in the garden has been stolen.

The director, Brian Shelton, treats the play with respect: his direction is blessedly gimmick-free

Malvern Festival

The Skin Game

The weird standards of totem and toboo observed in 1920 by Galsworthy's people in *The Skin Game* make them as strange to a 1981 audience as the Masai. "Cads are cads, Jill, even in these days," says gouty Squire Hillcrist to his daughter in the second line of the play, and then proceeds with conduct towards his new neighbour Hornblower that anyone today who knew the word would think caddish in the extreme. Hornblower is in trade, you see, and wants to build a pottery alongside Hillcrist's estate.

Mrs. Hillcrist is even more worse than her husband. Hornblower has bought a plot of land that will spoil the Hillcrists' view when he builds on it. Mrs. Hillcrist learns from her husband's agent that Hornblower's daughter-in-law Chloe was once a professional co-respondent, and by holding this knowledge against him she forces Hornblower to sell the land to her husband, at a considerable loss. Hillcrist feels bad about this when he is told, but doesn't offer to make up the loss.

The play has what I suppose Galsworthy considered a happy ending.

John McCallum, as Hillcrist, goes through the motions of regret, but Galsworthy doesn't much encourage sincerity in this part, and the Squire will have forgotten the whole wretched business in six months. His wife, who is also Mr McCallum's wife, Googie Withers will have forgotten it in five minutes. Miss Withers is at her hardest. As the head of a television women's prison she was never so adamantine. How these two could have had such a charming daughter as Jill, in Moir Leslie's image, heaven knows, for Miss Leslie is not only sympathetic but positively playful.

Not so poor Chloe. Mel Martin, with a well-handled hint of a cockney voice, has always to be either ill or anxious. Her father-in-law, the top Hornblower, is Anthony Quayle, who has carefully avoided giving him any sign of vulgarity beyond his accent and his business. Indeed, all his household dress for dinner as if they were Hillcrists, and dress jolly well. Neither of Mr Quayle's sons is quite up to him, though. Charles, Chloe's husband (Adam Kurakin), is kept in the background by Galsworthy until he has to make a panicky enquiry for his missing wife, with his dress tie mysteriously untied; and Rolf (Jonathan Coy), though clearly designed as a potential mate for Jill, never seems to do anything but stand by his principles.

B. A. YOUNG

Covent Garden

Stravinsky ballets

The Stravinsky triple bill of *Firebird*, *Scènes de Ballet* and *Rite of Spring* which came into the repertory at Covent Garden last Friday was originally to have been conducted by David Atherton. In the event, reduced rehearsal time and injury to dancers meant that Mr. Atherton was only able to direct *Rite*, the two other pieces being allotted to Emmanuel Young. A workaday account of *Firebird* was matched by an uninspiring company performance: Marguerite Porter gave a reading of the magic bird too small in scale and dynamics to seem more than a sketch of the role, and it was David Wall as Ivan Tsarevich, a true peasant prince, who gave the ballet whatever dramatic cogency it had. His desperate struggle with Kastchey's hordes, and his dignity in the coronation scene, conveyed the grandeur missing elsewhere.

Scènes de Ballet is, I think, a work entirely perfect. Ashton's text is a series of danced aphorisms about the art of classic ballet as he inherited and extended it. Succinct, its incidents linked and interrelating like parts of some exquisite machine, it calls for dancing of absolute purity. The corps de ballet went cleanly through their evolutions, proving their danced theorems with complete assurance. Michael Coleman was at his taut best as the male soloist; Jennifer Penney, so gifted and physically so well suited to the ballerina role, must avoid prettifying and corrupting the ends of dance phrases: the manner throughout should be as brilliantly faceted as the finest diamond.

With David Atherton in the pit, the Royal Liverpool Philharmonic produced an alert, hard-driven and powerful account of *Rite*, matched by the company performance, and most notably by Monica Mason as the Chosen Maiden. Each time this ballet has been revived during the past decade I have, at the risk of seeming a monomaniac, suggested that Miss Mason's performance be filmed or televised—we owe it to posterity to preserve one of the most exceptional and prodigious Royal Ballet interpretations of the post-war years. It is still unrecorded. In this present revival Miss Mason seems to have found yet more dramatic nuance, greater pathos and also greater passion. Must the future rely only upon her harvest of appreciative reviews and the oral tradition that she was touched with majesty in this role?

CLEMENT CRISP

Fulham Road Centre

Fitness Wins

The Activists Youth Theatre lives up to its name in this energetic display of leaping and tumbling, its first project at this centre at 450, Fulham Road. But, according to writer Jamie Reid, fitness is closely associated with fascistic regimentation and must never be allowed to win.

His drama centres on a handful of personalities in an amateur gym club known as The Leaders. The appointment of a new supervisor results in a toughened regime and the voluntary or enforced departure of some of the club's more anarchim members. Their subsequent disaffection leads to various unpleasant revelations about the club's founders, and the eventual withdrawal of support from its upper class benefactor, Lady Pauline Delaware.

The political ramifications of the keep-fit ethos are somewhat laboured in an over-long play which is barely redeemed by the exuberance of the performers and the occasional comic turn. Belinda Blanchard and Kitty Aldridge have a wonderfully grotesque double act as Miss Jocelyn Bedser and Miss Trudi Needleman, a pair of fanatical administrators. Each has the idiosyncratic glint of perversity and bears the result of too much fitness in her brilliantly contorted airtex-clad physique.

But for the streak of wildness which breaks out from almost all the team at moments, this would be a very dull show.

Anna Patrick as the heroine, Cleo, relies on a certain languid grace which carries her only some of the way through a demanding role. Her friend, Sophie, played by Claire Brown, hints at rather more vitality. Dominic Hawksley has been fearfully miscast as the militaristic young supervisor.

ROSALIND CARNE

CRICKET by TREVOR BAILEY

Rain leaves time to ponder game

NOT a single ball was bowled during my three visits to county grounds last week and the amount of cricket I have been able to see this month can be counted in hours, rather than days. There has been plenty of time to ponder on the game.

Could it really be true that seven batsmen, including Sir Donald Bradman twice, have scored over 1,000 runs before the end of May?

The last occasion was as recent as 1973, when Glen Turner reached the four-figure target for the New Zealanders. The first was W. G. Grace in his mid-40s back in 1895.

How the Australian players would welcome the confidence of 100 runs in the book, let alone over 1,000! The rains would have made 1,000 in this particular May impossible, even without the present structure with the Benson and Hedges Cup and John Player League matches taking place along with the first-class fixtures.

The lack of cricket has meant that our selectors have to pick a squad for the Prudential one-day internationals on June 4, 6 and 8 without learning anything new. Predictably, they have renamed Ian Botham as captain for these three limited overs days which, if the Australians perform as indifferently as they did last summer, England should win without undue difficulty.

It therefore will not be possible to judge whether Ian has learned anything from his painful lessons against the West Indies until the Tests, which should provide a close and absorbing series, even if Australia appears to be a below-standard side.

As captain of England, Ian's record in 10 Tests is unimpressive — lost three, drawn seven, won nought. It would have been considerably worse if the weather had not come to the rescue on several occasions. However, it is equally true that the results would have been similar whoever was in charge.

What has been worrying is Ian's own lack of form, and the naivity he has displayed in certain circumstances. I still regret that Ian was not given the opportunity to start his reign as captain of England in less difficult waters, in the summer of 1982 for example.

The three main sufferers from the May monsoons have been the counties, the players and Benson and Hedges. The clubs have taken little through the turnstiles as well as frequently having to meet the additional expenses caused by limited overs matches lingering on into the second day. There is no more depressing place for cricketers than a pavilion in the rain.

Although other sponsors have suffered and the John Player League table at present consists largely of abandoned and unsatisfactorily shortened games, things will improve. However, the damage to the zonal section of the Benson and Hedges Cup is irreparable.

Of the 32 matches so far, eight have been completely washed out and in many of the others, the 55-overs limitation has had to be reduced. There is certainly a case for starting this competition in June.

The worst-hit club has been Middlesex, on paper probably favourites, who were forced to share points on three no-play occasions and failed to qualify for the quarter finals. It is true they only have themselves to blame for losing to Hampshire, who were then surprisingly beaten by the minor counties, but they never had the opportunity to stage a recovery.

The minor counties, as a result of their victory and one abandoned game, could, for the first time, qualify for the knock-out stage, but they would need to beat Surrey, which is improbable.

The only two counties definitely through are Notts and Yorkshire. Each has won three matches and one of these clubs, who have both experienced a considerable gap without obtaining a major honour, now appears to have a definite chance of rectifying this matter in the Benson and Hedges Cup later this year.

AA awards national medals

NOTTINGHAMSHIRE County Council and the Government's Transport and Road Research Laboratory have been awarded Automobile Association national motoring award silver medals for 1980.

The awards were for the council's conversion of a disused railway bridge for use by road vehicles, and the TRRL-inspired safety articulated vehicle.

TENNIS BY JOHN BARRETT

Championship sees Borg's return

THE 51st French Championships suffered a damp start yesterday as the heavens opened above the Stade Rowland Garros in mid-afternoon to send players and spectators running for cover. It was all too reminiscent of last year's first week at Wimbledon.

This first Grand Slam meeting of 1981 with its £280,000 in prize money is interesting chiefly for the return to competition of defending champion Bjorn Borg after a six weeks break.

I saw Bjorn losing to Victor Pecci of Paragui in Monte Carlo on April 14—only his second clay court defeat since he was beaten by Jimmy Connors in the 1976 U.S. Open final—and was shocked by the Swede's lethargy and high percentage of unforced errors. We were told that a shoulder injury and the remains of a virus infection were responsible.

More significant was the comment of Borg's coach Lennart Bergelin that Bjorn had lost the keenness to work. For a man whose daily four-hour practice sessions were legendary this was indeed serious for it has been the relentless pursuit of perfection that has set Borg apart from other mortals.

Whether his marriage last July to Romanian Mariana Simionescu has affected Bjorg's keeness it is hard to say. Perhaps at last the keen edge of ambition has been blunted a least in minor meetings. The cold facts are that since the U.S. Open in September Bjorn Borg had won only two tournaments—the Stockholm Open in November and the Volvo Masters in January.

Apart from two losses to John McEnroe, which might have happened anyway, during this period he has been beaten by Ivan Lendl, Bill Scanlon, Rolf Gehring, Gene Mayer and Pecci.

In the past, Borg has always risen to the challenge of a major championship—as his five successive Wimbledon titles, and his five wins here since that first 1974 victory as an eighteen-year-old testify. But to achieve his stated ambition of being remembered as the best player of all time, he must win at least one U.S. Open (the only gap in his impressive list of titles) on the fast asphalt surface in New York which least suits his consistent baseline game.

If Bjorn is to halt the recent slide, and re-establish himself as the world's Number One player, then this is the place to do it where the conditions suit his game and temperment. Yesterday's routine win 6—2, 6—2, 6—2 between the showers against the 23-year-old Spaniard Jose Lopez-Maeso ranked 82 in the world, at least demonstrated that the champion is physically fit.

He served hard when he wanted to and, after an excuseably rusty first set he found some particularly acurate top spin winners. But if he is to beat better players in the rounds ahead—Australia's Paul McManee (McEnroe's conqueror of 1980) and the American's Eliot, Teltscher and Mayer lie in wait — he will need to eliminate the unforced errors which continue to disfigure his performances.

Significant again, is Bergelin's opinion. "Bjorn at last seems to have found his eagerness again. He is practicing much harder but he is short of match play."

Whoever emerges from the lower half is quite capable of beating Borg or anyone else. Connors is desparately keen to win a first French title, but must get past fellow American Eddie Dibbs before a quarter final which might be against the new Italian Open winner, Jose Luis Clerc. The left-handed talents of John McEnroe, are improving all the time on clay but he is due to face Ivan Lendl of Czechoslovakia in the quarter final and he is the best young man in the world on clay.

The Women's title, seems at the mercy of Chris Evert-Lloyd. This amazing American has won here for the past two years and four times in all since 1974. Since having her 125 streak of clay court victories ended by Tracy Austin in Rome two years ago, Mrs Lloyd has put together 59 consecutive wins and won five consecutive tournaments.

Miss Austin is absent and realistically only the numbers two and three seeds in the lower half, Martina Navratilova and Andrea Jaeger, stand any chance of ending that run: And that is a slender chance.

For the first time in my memory there is no British man in the draw since Buster Mottram's withdrawal due to injury —a deplorable state of affairs. There are only six British girls and none of them can expect to remain alive in the second week. Our position in the world has never been worse.

FINANCIAL TIMES
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Tuesday May 26 1981

The erosion of free trade

THE PRINCIPLE of free trade appears threatened with death by a thousand cuts—a series of discrete events not separately of great significance but which, combined and continued, have an alarming consequence. Most of these events are bred of recession and taken together they make it a little more probable that the world recession will be prolonged.

Last week produced a diverse and characteristic crop. The OECD countries failed to agree on a way of adapting the "consensus" level of interest rates on trade credits to the real levels of interest now prevailing. Trade credit thus remained a respectable avenue to dumping, which in turn undermines the acceptability of free trade.

More blatant

Within West German industry, a bastion of free trading principles, there were small signs that resolve might be crumbling. The country's steel producers began to ask for state subsidies which they have always roundly condemned in others. The German motor industry is now asking for voluntary restraint by Japanese car exporters, to match the restraint squeezed out of the Japanese by the Reagan administration in the U.S.

Much more blatant was last week's marked hardening of the stand against Japanese imports by the Confederation of British Industry. The CBI is now saying it will fight for import controls unless the Japanese agree "voluntarily" to cover 60 per cent of exports to Britain with imports from Britain. It is also demanding that Japanese manufacturing plants be allowed into the UK only if they agree to buy a high proportion of components in Britain.

Unpleasant truths

Free trade is certainly exposing the British economy to unpleasant truths. Certain highly visible sectors of its industry are clearly no match for the Japanese at the current rate of exchange. The sterling rate, in turn, is bound to reflect the fact that Britain possesses oil where many of its industrial competitors do not. Quite obviously, a trade-induced adjustment to these unpalatable facts must be painful at a time when a general recession is preventing the emergence of viable jobs — perhaps too painful to be politically sustainable.

All this means that free trade is in bad need of defence. Free trade benefits whole economies and not necessarily specific industries; it is quite consistent with the general good that certain industries in certain countries should fade away. Yet the case against free trade is often based upon the threat to specific industries and, worse still, specific companies in such industries. If there is to be a healthy motor industry in the UK the inward investment of Nissan from Japan is to be welcomed even if it threatens long-established British concerns.

Second, the argument that certain parts of British industry need more time to adapt to the overseas challenge is questionable. It is the discomfort of recession, heightened by the import challenge, which stands the best chance of breaking down the stale practices of British unions and management.

Third, the interests of consumers must not be buried in a concern for producers. The British citizen when spending is no more nor less important to the economy than he is when producing. His spending interests are quite clearly best served by the unrestricted and undistorted choice offered by open trade.

Arbitrary limits

These attitudes need not imply an unfeeling *laissez-faire*. The "positive adjustment" long advocated by the OECD is particularly necessary at a time of recession. Government and private sector support for new businesses, new products and new approaches to the manufacture of existing products must not be stinted.

Finally, while the case for free trade does not rest on fairness in trade, its political acceptability evidently does. All efforts to seek out and eliminate hidden forms of protectionism — the excessive imposition of technical standards, for instance—are justified, including appropriate forms of retaliation. But arbitrary limits to the quantity of Japanese goods sold in this country cannot be defended.

Time for a stand on divestment

IMPORTANT issues have to be resolved in the next few weeks about the future structure of the Lloyd's of London insurance market. The question of the market's structure has been forced for consideration by a House of Commons committee which decided that Lloyd's ought to amend its Bill of Parliament, designed to secure improved self-regulation, to provide also for complete divestment between Lloyd's insurance brokers and underwriters.

Links

The Commons committee was influenced in its decision by a report commissioned by Lloyd's and prepared by Sir Henry Fisher on Lloyd's self-regulation, which was published last year.

By a majority of six to one, the Fisher working party decided that shareholding links between brokers and their underwriting managing agency companies should be terminated. In other words brokers should not control underwriters.

The potential conflicts of interest are obvious: a broker's main duty is to the assured, whereas an underwriter is primarily answerable to the investors who put up the capital. The Fisher working party was satisfied that actual abuses did occur, a view endorsed last week by a leading underwriter who gave evidence before the Commons committee.

Concentration

There are other reasons why the issue of divestment is important. All the major Lloyd's broking companies control Lloyd's underwriting agencies, which in turn look after the affairs of Lloyd's members. Over 60 per cent of the premiums going into Lloyd's are produced by the eight largest brokers. Over half the underwriting capacity in Lloyd's is under the management of agency companies controlled by Lloyd's brokers.

In recent years there have been mergers between broking groups which have increased substantially the concentration of business. This concentration of power into fewer and fewer hands, it has been argued, could destroy Lloyd's character as a market and with it Lloyd's reputation as a centre for flexibility, innovation and development.

Moreover, the concentration of business, together with the entrenched conflicts of interest, could militate against the effectiveness of the self-regulatory powers which Lloyd's is seeking from Parliament.

In its drafting of the Bill Lloyd's did not include a provision relating to obligatory divestment.

Lloyd's fears that if it imposes divestment, brokers will take their business elsewhere, perhaps to their own subsidiary insurance companies or company underwriting agencies which they operate. The large brokers, most of whom are publicly quoted and who dominate Lloyd's, are opposed to divestment because of the possible effect it might have on the interests of their own shareholders.

Security

Yet Lloyd's should not fear that it will lose business by making a stand on divestment. Its security remains supreme in world insurance markets. Brokers would be failing in their duty to clients if they sought to avoid the Lloyd's market because their equity links with underwriters were terminated.

The Commons decision has caused unfortunate delay to the Lloyd's Bill, which will create the disciplinary framework Lloyd's so badly needs. Lloyd's should now consider the implications of the decision, particularly the question of the future ownership of the Lloyd's underwriting interests, and consult fully with its membership.

Lloyd's could embrace the Commons committee's ruling or perhaps even at this late stage may be able to devise an alternative formula which satisfies public and parliamentary concerns. In determining this important issue, vital to the future health of Lloyd's, sectional interests should be laid aside. The Lloyd's Bill must be promoted and passed into law as soon as possible.

EUROPEAN PAPER INDUSTRY

Nordic producers scent blood

By John Moore

Roger Taylor

Bowaters' Ellesmere Port newsprint mill, closed last year

NORTH AMERICAN AND WEST EUROPEAN PAPER INDUSTRY

	1980 production m tonnes	Annual increase (decrease) %	Number of pulp mills	Number of paper mills	Average size of paper mill '000 tonnes	Workforce '000
NORDIC						
Sweden	6.2	(1.6)	73	64	111	105
Finland	5.9	3.2	53	46	137	79
Norway	1.4	(1.9)	35	31	56	13
EEC						
Germany	7.6	2.1	40	205	42	51
France	5.2	(2.1)	33	178	31	33
Italy	5.0*	(2.6)	75	510	11	38
UK	3.8	(9.6)	6	151	32	56
Netherlands	1.7	0.5	7	39	50	10
Belgium	na	—	3	23	40	8
Denmark	na	—	4	6	47	2
NORTH AMERICA						
U.S.	57.6	(1.7)	339	661	95	270
Canada	13.4	(0.7)	120	114	131	128

* Estimate

Source: PPI, July 1980 and industry statistics

THINGS ARE stirring in Europe's forest industries. The Nordic countries have scented blood as they watch large sections of the Common Market's paper and board industry collapse ahead of 1984 when the last tariffs on their imports will disappear.

The Nordic countries are anxious to play down the structural changes under way for fear of igniting a protectionist backlash. But, the next couple of years are going to see a major restructuring of the organisation and ownership of much of Europe's paper industry.

There have already been considerable changes in the Western European industry in the last decade. Some 500 mills and over 1,500 machines have been closed and, if anything, the process is accelerating. In the last 18 months alone it has been estimated that 150 out of more than 1,000 paper and board mills have closed in the EEC.

Britain and France have been among the hardest hit. More than a fifth of the UK's paper and board making capacity has been closed over the last year and many operators are making heavy losses. In France, Chapelle-Darblay, the main domestic newsprint producer, and ... Cellulose du Pin ... de la Cellulose ... The main pulp producer ... being split up in an effort to stem its heavy losses.

In Belgium, the Government has had to bail out the internal mills, the country's leading fine paper maker, and in the Netherlands the Government has been giving substantial financial support to cover the losses of Van Gelder, the country's biggest paper and board producer.

Even the Nordic countries, despite their undoubted natural advantages, have had their problems. The Swedish Government, for example, has been forced to give substantial financial support to a number of its big forest products companies, including NCB, Sodra Skogsagarna, ASSI and Vanersborg. Over the last decade 37 pulp mills have closed and another 10 will go within the next five years.

But much of what is happening in the European paper industry, while painful, is none the less inevitable and the process still has a considerable way to run.

It is useful to divide western Europe into two blocs — the paper exporting area (Finland, Sweden and Norway) and the paper importing area (the rest of Europe). In a paper last September on the "likely structural changes in the paper industry in western Europe," Professor Niilo Ryti, of Finnish consultants Jaakko Poyry, estimated that the consumption of the importing area in 1978 was 33.1m tonnes of which 25.8m tonnes was produced locally. Some 5.9m tonnes was imported

Battle lines are now being drawn for control in Europe

from the Nordic countries and 1.7m tonnes came from North America. Professor Ryti also forecast that consumption in the next 15 years will rise by two-thirds, or 22.5m tonnes by 1995.

The key question for the western European paper industry is where this extra 22.5m tonnes will come from? At present the domestic industry still supplies over three-quarters of local consumption, but in some countries, most notably the UK, domestic output is dropping and now accounts for less than half total consumption. Battle lines are now being drawn for control of the European paper industry.

The Nordic countries start with a big advantage. They are the closest external suppliers to the EEC and have large reserves of high quality wood. Initially, they exported their woodpulp to EEC countries where it was converted into paper and board.

Twenty years ago, for example, Sweden was exporting 2.9m tonnes of woodpulp to Europe and just 1.3m tonnes of paper and board. Since then the sales pattern has changed dramatically. Now two-thirds of Swedish pulp (4.5m tonnes) is converted into paper and board locally and only one-third (3m tonnes) is exported: and the trend is increasing.

A similar pattern can be observed in the other Nordic countries. The reason is simple. Their forest resources are being fully exploited and wood costs are fairly high. Emphasis is now concentrated on adding more value to the limited wood resources.

Nordic producers have consequently become increasingly integrated downstream. They now transform the pulp into paper and board on the same site. This gives them a substantial cost advantage over the non-integrated mills which are *the norm in large parts of the EEC*.

Mr Lars Sundblad, managing director of Iggesunds Bruk, told a management symposium in Sweden earlier this month that the cost of drying, baling, and bale handling of market pulp, is equivalent to 15 per cent of the fob price. "With the high energy prices of the 1980s only a limited number of products can afford the luxury of drying the fibres twice," said Mr. Sundblad.

This gives the integrated Nordic producers of commodity grades of paper such as newsprint and, kraft liner a marked advantage over the non-integrated producers within the EEC which depend on either imported market pulp or waste paper for their raw material.

The non-integrated producers of commodity grades of paper within the EEC have been the main casualties over the last few years. Mr. Patrick Best, the chairman of Wiggins Teape, the specialist UK papermaker, has said on more than one occasion that the non-integrated commodity paper producer of any scale will not be able to survive without Government support. He describes them as an "anachronism" and says that there is an "element of the Luddite in their trying desperately to delay the inevitable."

The degree of Nordic integration is continuing to grow and it is still unclear how far it still has to go. For the commodity grades, such as newsprint, there is no dispute. The commodity is ideally produced on large, fast machines and is sold to a relatively small number of customers.

With many grades of fine papers, the advantages of large and fast paper machines are less pronounced, and a producer may have to deal with several thousand customers. In these circumstances marketing skills tend to outweigh the economies of scale of the integrated operation. But the position is changing, and several Nordic companies are investing heavily in large paper machines which many of the products of the traditional non-integrated fine paper mills of the EEC.

The only advantage the small mill has is it proximity to the market and its mental "closeness" to its customers. The Nordic mills are trying to counter this by setting up their own production units in major markets (the Finnish owned Nordland Papier in Germany is a good example). Alternatively they can buy up paper merchants. Sweden's Mo Do, for example, is fast becoming one of Europe's largest paper merchants having recently made sizeable acquisitions in Holland (the merchanting side of Van Gelder) and the UK (Link Paper). Control of a national merchanting network gives them a captive outlet.

Against this background the outlook for much of the domestic EEC paper and board industry is bleak and it is clear that further substantial reorganisation has to take place.

Many of the machines are small and obsolete

There are relatively few integrated pulp and paper mills and many of the machines are small and obsolete. According to Jaako Poyry two thirds of the woodfree printing and writing paper industry is integrated in the Nordic countries while only 17 per cent of the industry is integrated with pulp mills in other western European countries. Similarly, the average size machine in the EEC is roughly a quarter of the size of the average Nordic machine, and by contrast with Finland, in particular, the ratio is of the order of five to one. In the next few years it seems likely that, in the absence of Government intervention, many of the small paper machines in Italy, France and Germany will have to close.

The EEC industry still has an advantage over the Nordic producers where marketing skills are important. Wiggins Teape, for example, has built up an enviable lead in carbonless copying papers one of the fastest growing sectors. Similarly, tissue production remains a growth business largely centred in the consuming countries.

Production based on waste paper will continue to figure prominently among EEC countries. Lower quality products such as test liner, fluting and boxboard are ideally made from local recycled wastepaper. However, there are limits to the amount of recycled fibre which can be found within the EEC and local producers will probably try to move closer to Nordic sources of market pulp. Germany's Feldmuhle and Sweden's Kopparfors, for instance are expanding the market pulp mill at Norrsundet in Sweden and similar joint ventures are likely to be repeated.

A perennial fear of the smaller non-integrated producers in western Europe is that the Nordic countries will run up the price of market pulp while depressing the price of their paper and board thus increasing their raw material costs while depressing their selling prices.

It has never been proven that the Nordic producers have ever taken such a conscious decision to undermine the EEC industry but the threat is likely to increase pressure on EEC producers to secure long term access to market pulp supplies. In addition, very little new market pulp capacity is being installed internationally, and there are fears that there could be shortages once demand recovers.

Assuming that Nordic supplies of paper and board to the EEC continue to rise slowly and the domestic industry holds its own, there will still be a sizeable shortfall over the next decade which will have to be imported from other sources.

The natural supplier is North America. Its energy and wood costs are far lower than those of Scandinavia and Finland. It can expand its output substantially, unlike the Nordic countries which are bumping against the ceiling of limited wood supplies. Already, North America is an important supplier to Europe of market pulp and commodity grades of paper such as newsprint and kraft liner. It is expected that North American supplies of all three commodities will continue to grow steadily, although the Canadians, in particular, are worried lest the EEC imposes a tariff wall against non-European competition following the removal of tariffs on Nordic imports in 1984. France and Italy, in particular, seem anxious to limit the damage to their domestic paper industries caused by imports.

PAPER MARKET IN WESTERN EUROPE*

m tonnes

	Consumption	Production	Imports: Nordic	Imports: N. America	Demand growth 1978-95
Newsprint (printing and writing)	4.7	2.1	1.9	0.7	1.9
Mechanical	4.1	3.4	0.7	—	4.2
Woodfree	4.9	4.9	0.2	—	3.4
Sack Paper	1.3	0.6	0.5	0.1	0.3
Liner	5.1	3.4	0.9	0.7	4.3
Fluting	3.3	3.1	0.3	—	2.4
Tissue	1.5	1.6	—	—	1.5
Boxboard	3.6	3.3	0.3	—	2.2
Other	4.1	3.5	0.6	0.1	2.3
Total	33.1	25.8	5.9	1.7	22.5

* 1978 Data. Excluding Nordic Countries

Source: Paper given by Professor Niilo Ryti at Seminar at "European Open" Golf Tournament, Walton Heath, September 5, 1980.

MEN AND MATTERS

Muck and brass

A lot of expensive rubbish is being discussed by the Department of the Environment and Westminster City Council this days. "Plus ça change," you may mutter, your attention wandering rapidly elsewhere.

Well, yes and no, but in this particular case the rubbish is the physical stuff which, preferably tied up in black plastic sacks, piles up on London streets each morning. And what the DoE decides to do about it will have financial implications for businesses not only in London but throughout the country.

The laws of the rubbish tip are the 1936 Public Health Act, and the 1974 Control of Pollution Act. The earlier Act states that a *local authority* "may undertake the removal of trade refuse," with the rider that it "shall make reasonable charges" for doing so. The later Act contains a clause which would relieve local authorities of the obligation of imposing extra charges for trade collection. But that clause, Section 12, has not been brought into force by the Secretary of State: and it is on this point that the Westminster argument turns.

The nature of "trade refuse" and "reasonable charges" invoked in the 1936 Act was left to the decision of the Courts. Until 1973, it was reckoned that trade refuse was defined by its composition—or, perhaps, decomposition—such that if an iron foundry could contrive to churn out waste indistinguishable from that of a neighbouring three-bedroomed semi no extra charge would arise. In 1973, however, it was decided that the source of the refuse was the determining factor.

Westminster City Council has so far refused to charge extra for the collection of trade rubbish. Which, it argues, is not just altruism. So many of the premises within its jurisdiction enjoy multiple occupancy that administrative charges pushing £500,000 could be incurred establishing, among piles of sacks dumped indiscriminately outside, what rubbish came from where. It also points out that, with businesses paying 64 per cent of total City rates this year, a new levy would be effectively double-charging them.

The District Auditor, however, owes his allegiance to laws which do not so far include implementation of the relevant section of the Control of Pollution Act, and must therefore press for extra charges. The London Chamber of Commerce has weighed in supporting Westminster's stand, and has written to Environment Secretary Michael Heseltine requesting that commercial refuse collection charges should be a matter left to local discretion. The Council, meanwhile, is seeking a hearing for its case in the High Court. And there, for the moment, the matter rests.

Slice of life

Brian Willott, the 41-year-old civil servant who has been appointed chief executive of the embryonic British Technology Corporation, has been hiding his light under a bushel. Not only is he a physicist, but also, I learn, something of an expert on the cream slices business.

Willott's invaluable experience in this controversial area was acquired in 1978 when, along with half-a-dozen mainly Industry civil servants, he was seconded for a day or two a month to a company Board.

Willott found himself in the cakes division of United Biscuits, where his managerial responsibilities included the quality of UB cream slices.

It is too early to say how this experience will assist him in his new jobs, handling the industrial investments of the National Enterprise Board and the National Research and Development Corporation—which nobody, I suspect, would dream of calling a piece of cake.

Out of joint

Something of a Marie Celeste atmosphere pervades the fifth floor of Tower House in Covent Garden where, of a normal week, the entertainment guide and Left-wing news magazine Time Out would be produced. Typewriters stand ready to announce next Tuesday's late-night film at the Paris Pullman, telephones to take classified advertisements from affluent young company directors seeking attractive girl for occasional evening entertainment.

The crew, however, is departed. Five or six can be found in the conference room next door to the editorial offices, playing Scrabble, watching television and making themselves available as spokespersons to the media. For Time Out is in the throes of the worst industrial dispute in its 12-year life, dismissal notices on its striking staff became effective last Wednesday, and the sit-in organised by the staff is now in its third week.

The office door sports notice of an injunction designed to turf out the sitters-in within a couple of weeks. Evidently not wanting anybody to feel overlooked, the company lawyers have named in their action not only 60-odd staff, but also Ian Jack of the Sunday Times who sloped by early on in the proceedings to see what was happening.

Supporters of the staff action include the newly-elected leader of the Greater London Council, Ken Livingstone, who has written "Please give the occupation my best wishes . . . Anything the GLC can do, just let me know."

The staff is defending "parity," whereby everybody except a handful in top jobs get equal pay. The management wants to end that and untie its hands of agreements binding it to a period of consultation with the unions on any major outside investment and the maintenance of parity in any other journalistic venture it may undertake.

There are no immediate plans for new projects contingent on reaching a settlement, says financial controller Eric Read. Rather, it is a case of "clearing the decks." For the staff, it is a matter of conserving the working practices on which the magazine's present success has been built.

Having emerged from the sixties counter-culture of Red Moles and Black Dwarfs, Time Out now sells over 80,000 copies a week, has net assets of around £125,000 excluding what must be reckoned very considerable goodwill, and made a pre-tax profit in the year to January of £80,000. The present dispute is costing the company £6,000 per strike-bound week.

Directors' forum

"Having regard to the difficulties in the construction industry, and the general economic situation, I regard the results we have achieved during the year as being almost not unsatisfactory."—Dick Puttick, chairman of Taylor Woodrow, in the group's latest annual report.

Observer

FINANCIAL TIMES SURVEY

Tuesday May 26 1981

SOUTH AFRICA

The policy of racial separation in Africa's most powerful state is under increasing pressure at a time of economic growth. Facing a conflict between white control and the aspirations of the black majority, the Government has promised reform. But the pillars of apartheid still stand and time for peaceful change is short.

CONTENTS

This survey was written by the following correspondents: Quentin, Peel, South Africa correspondent; Bernard Simon and Jim Jones, Johannesburg; John Stewart, Cape Town; Michael Holman, Central Africa; and Josephine Scott, a travel writer who lives in South Africa

Economic realism forces apartheid debate

By Quentin Peel

"WHERE WE went wrong in the past is that we drew borders on ethnic grounds, or political grounds. The idea was that these would all become independent states, and would all be economically viable. We know today it doesn't work like *that*. These states cannot be fully viable by themselves. The economic map looks different to the political map." With those words, Dr. Gerhard de Kock, *governor of the South African* Reserve Bank and top economic adviser to the South African Government, casually dismissed half of the basic doctrine of *apartheid*.

Yet apartheid is not dead: far from it. The grand strategy of racial separation, which has left South Africa as an international pariah state, and a society bitterly divided within itself, is very much intact. Its three pillars of racial classification, residential segregation, and influx control are undisturbed. Wholesale population resettlement continues virtually unabated, but the system is undergoing a profound and often agonised reappraisal, from which it may yet emerge *either streamlined, or mortally* wounded.

Mr. P. W. Botha, the South African Prime Minister, has three broad choices. He can maintain a strict adherence to apartheid, containing black dissent in the impoverished tribal homelands, and suppressing any sign of revolt with his powerful security forces. He can opt for a strategy of economic growth and gradual reform, in *the hope of establishing a sufficiently* powerful black middle class, with a stake in the maintenance of the status quo to avert black revolution. Or he can *sit down at the negotiating* table with the major black nationalist movements, including men such as Nelson Mandela, the African National Congress leader *serving* a life sentence on Robben Island, and attempt to negotiate a dispensation acceptable to all South Africa's population groups.

The last choice has been categorically ruled out by Mr. Botha and his advisers. The debate is between the first two courses.

Divisions

It is a *debate* which has caused deep divisions within the ruling Afrikaner establishment. Last month's general election showed a sharp swing *among traditional government* supporters to parties of the more extreme Right wing: at least a third of Afrikaner voters deserted the ruling *National Party in disillusion.* Although the extreme Right failed to win any seats the result revealed .in the words of a national party newspaper, that "*Afrikaner unity exists no* longer."

The debate has sprung from a traumatic decade for the country's white rulers. In that time, radical black Africa has arrived at South Africa's borders. The Republic's two key allies—Rhodesia, and the Portuguese colonial power in *Angola and Mozambique*—have crumbled in the face of African nationalism. Only Namibia (South-West Africa) remains as a buffer state, and that is South Africa's own responsibility.

The decade also saw the revival of black political activism within the country, after the drastic repression of the 1960s. The upsurge of the black consciousness movement among the young urban elite coincided with the mass protests of school students in Soweto, culminating in the bloody Soweto riots of 1976, which left more than 600 dead *in black townships across the* country.

Black militancy came to the industrial scene in two major waves of industrial unrest: first *in the Natal strikes of 1973*, and then last year, in the most sustained outbreak of black industrial action yet recorded, costing 175,000 man days lost. *Finally, black action has spilled* over into violent revolt, with regular, if isolated, incidents of violence and sabotage inspired by the exiled black nationalist *movements*, the African National Congress and the Pan-Africanist Congress.

On the international front, campaigns against the Republic have spread. South Africa's continued rule in Namibia has *brought* to a head African demands for economic sanctions. However, the advent of conservative governments in both Washington and London —tempered by the victory of M. Francois Mitterrand in the French election—has provided South Africa with a more friendly international environment, although one which still demands domestic reforms of apartheid.

On the economic front, too, the picture has appeared more hope*ful. South Africa has emerged* from the most sustained depression since World War II —aggravated by the political aftermath of the Soweto riots— *to enjoy an equally prolonged* boom. A huge expansion of mineral production, combined with the freeing of the gold price, resulted in a quantum leap in exports, and a consequent reduction in South Africa's traditional dependence on foreign capital investment for its economic growth.

Soaring gold income has enabled the country to reduce its strategic dependence on imports such as oil and armaments, by financing the expansion of the Sasol oil-from-coal operation, and the large-scale manufacture of weapons by Armscor. It has also paid for a big rise in black wages, increasing at a faster rate than those for whites (although the absolute gap continued to widen).

However, the realisation of South Africa's economic resilience and untapped potential has only served to underline the grave structural problems in the economy. It has aggravated the huge divide between urban affluence and rural poverty, and it has brought to a head the serious shortage of skilled workers, caused by a *failure to train more than* a handful of black workers.

Nevertheless, it is the perception in the upper echelons of government of the contrast between a gloomy political view with a potentially much more hopeful economic outlook which has prompted the reassessment of the apartheid strategy. It is no coincidence that it should be Dr. de Kock, an economic technocrat as well as an amiable banker, who *spells* out most clearly the extent of the new economic realism. He is not only the Government's chief banker, but also the man *appointed to rethink its whole* black development strategy.

The debate within Afrikanerdom has coincided with three key developments: the emergence of Afrikaner businessmen; the growing power of the mili*tary; and the struggle for power* within the ruling National Party which marked the accession of Mr. P. W. Botha as Prime Minister.

In order to win the top job from his minority base in the Cape Province—the National Party has been dominated since the 1950s by the solidly conservative Transvaal—Mr. Botha needed allies, and he found them in the military which he himself built up as Defence Minister) and in the ranks of *the new breed of Afrikaner* businessmen.

Mr. Botha's victory in September 1978 rapidly resulted in the installation of military *and private sector advisers in* key positions. The state security council, previously a moribund body, was brought out of mothballs, staffed with generals, and given a role of overseeing all aspects of government policy second *only* to the Cabinet. *Business representatives* were brought into the public service commission, charged with overhauling the entire civil service, one of the bastions of conserva*tive Afrikanerdom. The Prime* Minister's office, previously little more than a cabinet secretariat, was given a key co-ordinating role for both policy and *the bureaucracy, controlling all* the long-term planning departments.

Mr. Botha's reorganisation is very much in keeping with his *style as an administration* man. His position in the party was won as an organiser, not as an orator or thinker, but what has emerged from the reorganisa*tion remains fragmentary* and inconclusive: there is no secret master plan, no clear vision of neo-apartheid.

The problem has been to marry the military and economic advice to the political realities of the ruling party. The military advice is relatively simple. General Magnus Malan, former commander of the South African Defence Force and now Defence Minister, calls it a "total strategy" to face the "total onslaught" of international Communism *aimed at* South Africa. It means wooing the black population of South Africa to support their white rulers in the battle, with such *gestures as the* "*removal* of hurtful discrimination."

The economic advice, from men like Dr. de Kock at the Reserve Bank, and Dr. Joop de *Loor* and *Dr. Simon Brand* at the Ministry of Finance, is equally obvious. It seeks to take into account demographic realities. These men argue that *political* and *social stability* depends on sustained economic growth, to provide jobs for the rapidly growing black population. That in turn requires a *steady supply of skilled workers*, which means greatly accelerated training of black workers. It also requires a coherent policy of decentralisation, which recog*nises the economic reality that* businesses are not willingly going to move to the impoverished tribal homelands.

Unfortunately for Mr. Botha, that advice tends to cut directly across some of the fundamental tenets of apartheid, to which a majority of his party remains firmly wedded. Once one starts *removing* "*hurtful discrimination,*" the question is where to stop: to blacks, all discrimination is hurtful.

So far, the Prime Minister's strategy has been to try to separate economic liberalisation from political change, maintaining the insistence of racially separate political structures. In spite of the talk of reform, progress has been minimal.

Confusion still reigns in the labour field, where talk of *reform has gone* furthest. Two years ago the Wiehahn Commission urged that black trade unions be brought into the official bargaining system to *control and* defuse black worker militancy, but the black unions have yet to be convinced that the advantages of being brought into the system outweigh the disadvantages of state control, so the policy is still being debated. Some changes have come—there are now some black apprentices being trained in urban areas, and statutory job reservation has been almost entirely scrapped.

The Riekert Commission, which reported at the same time as *Wiehahn (and remains the* nearest thing to a blueprint of Government strategy in race relations) proposed a streamlining of the complex influx control system *which regulates all* black mobility. The Commission suggested much greater mobility

CONTINUED ON PAGE III

BASIC STATISTICS

Area: 1,222,480 Sq. km

Population: 28,697,000 (including Homelands)

GDP: US$ 57.2bn (1979)

Per capita: US$ 2040

Trade: (1980)
Exports: R19,981m
Imports: R14,919m

Trade with U.K.: (1980)
Exports to U.K.: £756.4m
Imports from U.K.: £1,002.1m

Currency: R1.7370=£1

Inflation: High income: 14.4% (Feb. 1981)
Low income: 20.5%

Foreign Exchange Reserves: (Feb. 1981) U.S.$ 824m

Fighting inflation is the Government's top priority

FOR MOST of the industralised world, a real growth rate of 8 per cent is the stuff of which dreams are made. For South Africa, it is reality, and something of an embarrassment.

The South African economy has always been contrary. At times of international boom, it slumps, and when the world economy turns down, South Africa picks up. The main reason is gold.

As long as gold is the classic hedge against inflation, South Africa looks set to profit from others' misfortunes. Last year was an excessively good year. In spite of the soaring growth rate, gold kept the current account of the balance of payments in hefty surplus. Money poured into the economy, and people couldn't spend it fast enough. Rocketing liquidity caused the money supply to rise at an annual rate of 46 per cent. By the end of the year, South Africa was suffering and inflation rate running at an annual 22 per cent.

Thanks to an average price of U.S.$617 for the year, gold earnings totalled R10.14bn (£5.8bn) compared with just R6bn in 1979, and the foreign exchange earnings from gold exceeded that of all other exports combined. It paid for a 47 per cent increase in imports, and still left a current account surplus of R2.8bn for the year. It enabled the Government to repay large amounts of foreign debt, pay the increase in the oil price, and still be left with enough to buy oil for its strategic stockpile. More than R1.2bn was paid into a stabilisation fund in order to take it out of the economy — but it failed to take the heat out.

Fighting inflation has become the Government's top priority. But the real economic indicators are all healthy. Private consumer spending rose 8.5 per cent, and gross domestic fixed investment showed its first notable increase since 1975, up 12.3 per cent. At the same time, Government spending was held in check, rising only 5 per cent, representing a real transfer of funds from the public to the private sector.

The boom brought real improvements in earnings for both black and white workers. For the latter, the first real improvement after five years of decline. Black wages were up 4.4 per cent in the first three quarters, and white wages by 2.5 per cent.

Remarkable

The most remarkable change from the previous performance of the economy was on the current account of the balance of payments, which moved into deficit only in the last quarter of the year, in spite of the sharp increase in domestic demand and rising import prices. The overall current account surplus of R2.8bn was only slightly less than the R3bn of 1979, and the fourth consecutive annual surplus.

Inevitably, the balance of payments has been the first indicator to turn, but at a much later stage than usual in the economic cycle. Even now it does not unduly worry the Government's financial planners. "The current account deficit is running at an annual rate of R1.7bn," says Dr. Gerhard de Kock, the governor of the Reserve Bank, "But that does not give us cause for concern. We have a tremendous disguised reserve in the form of potential switching of trade finance. We can switch back to overseas financing without any difficulty."

What does concern the authorities are the underlying structural problems in the South African economy which have emerged particularly strongly because of the sharp upswing.

In spite of its sophisticated industrial economy, South Africa suffers from the classic bind of the developing economy: A shortage of skilled labour, and an excess of unskilled. The problem of attracting and keeping skilled workers is the same throughout South African industry. It is estimated there are between 15,000 and 20,000 artisans' jobs unfilled, in spite of some deliberate fragmenting of jobs to employ semi-skilled black workers.

Discrimination

The problem in South Africa has been aggravated by deliberate racial discrimination in jobs, both statutory job reservation, and far more widespread de facto discrimination because of closed shop agreements negotiated between white trade unions and employers. In spite of that problem having been identified, and belated Government acceptance of the need for a drastic acceleration in training of blacks, so far only a handful of black apprentices have been given approval to undergo training in urban areas.

The economic boom already appears to have passed its peak because of the physical constraints of skilled labour and infrastructure. And yet the mass of black unemployment has been little affected—the official figures show a decline of just over 1 per cent, to 8 per cent, in two years of substantial economic growth. The figures are notoriously unreliable, failing to reflect the huge reservoir of unemployed in the homelands. Nevertheless, they do indicate that 29 per cent of black women, and as many as 42 per cent of young black men in their 20s are jobless.

Not only have the real benefits of the boom been restricted to the urban areas. Even there the inflation rate has been highest for the lowest paid—20 per cent, against 16 per cent for higher income groups. In real terms, the poorest have missed out.

One arm of the Government's longer-term strategy is to revamp its decentralisation policy, hitherto tied to developments in, or on the borders of, the black homelands. The realisation now is that decentralisation must be tied to much wider economic growth poles rather than limited to the unattractive border regions of the homelands. At the same time the decentralisation effort will require a big increase in funds.

Convenient

It is a realisation of some of the underlying realities of the South African economy which has prompted a reassessment of the Government's grand apartheid strategy. At the same time the Government has deliberately espoused a new strategy of restricting state involvement in the economy—in sharp contrast to a traditional interventionist role.

The strategy is a convenient one in political terms, for it leaves to the private sector the responsibility of enforcing or scrapping the racial discrimination which has held back more rapid economic growth over the longer term. If scrapping discrimination were left to the profoundly conservative ruling National Party, it would be unlikely to be removed.

Nevertheless, the free market rhetoric which has accompanied the Government's new-found stance has an ironic ring in the South African economy in which public corporations, and a handful of major mining houses and financial corporations, control or account for the bulk of GDP. If the structural, and often political problems of the South African economy are to be tackled, it will be not so much a question of leaving them to the free forces of the market place, but simply a matter of political will and agreement between Government and the dominant forces in South African business.

Quentin Peel

Black unions pose the greatest threat

LABOUR

MICHAEL HOLMAN

"WE ARE trying our level best to avoid involvement in political activities," says Thozamile Gqweta, the 29 year old national organiser of the South African Allied Workers Union (SAAWU), the country's fastest growing and most militant black union.

"If we mention political activities, we mention them in the context of the labour situation—we have no intention of jumping over onto a political platform," he says.

But almost in the same breath he goes on to illustrate the degree to which political issues intrude and create the tensions within the country's labour force which the revamped industrial legislation cannot contain, as last year's record level of strikes illustrates.

"The whole context in which we live in South Africa," Mr. Gqweta says, "is interwoven with politics. Somewhere along the line we are confronted with a political stumbling block. How do you reconcile the Group Areas Act, or influx control regulations. You are born and bred in East London, you must work and die in East London. That is how politics come in. Anything which is a hindrance to the progress of the worker must be challenged."

Despite regional, tactical and to a certain extent ideological differences, black unions in South Africa present the Government with its most serious challenge, a threat both to the working of apartheid and the power of the predominantly white business community.

The growth of the black union movement highlights the ultimate incompatibility of conceding bargaining rights—albeit painstakingly slowly—while providing no comparable shift in the system of exclusive white political power. For the employers, whose views on black unions range from sympathetic to hostile, there is the problem that the current industrial legislation provides few firm guidelines, and those that exist are under pressure.

The pressure comes mainly from three associations—whose membership is a fraction of the total workforce but which nevertheless play a critical role.

● Federation of South African Trade Unions (FOSATU), formed April 1979. Durban-based with 13 affiliated unions; nine unregistered. Industries represented include chemicals, engineering, motor assembly, transport. Paid-up members 20,000, signed-up members 45,000.

Member unions

● Council of Unions of South Africa (CUSA), formed September 1980. Rand based, eight member unions representing building, chemicals, steel and engineering. Paid up membership 19,000, signed-up members 44,000.

● South Africa Allied Workers Union (SAAWU), East London based, membership at least 20,000 though paid up figures are probably considerably lower; 26 affiliated unions.

Two other associations have different roles in the union spectrum:—

● Trade Union Council of South Africa (TUCSA), whose 60 affiliated unions have a membership of 287,000; has so far been prepared to operate within the labour framework established by Government.

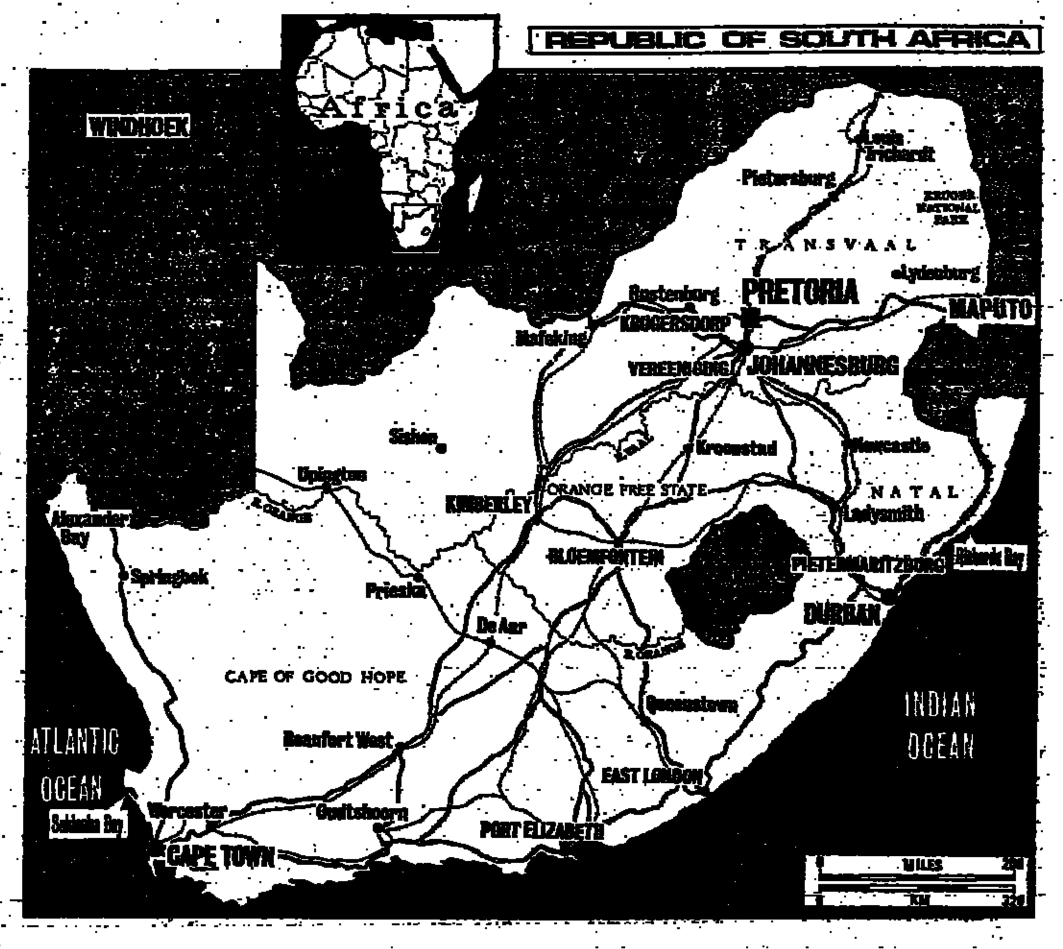
● South African Confederation of Labour, an all-white conservative association which includes the Mineworkers' Union.

Black worker militancy, is not a new phenomenon, although current developments coincide with unprecedented pressures on white control. When labour unrest shook South Africa in 1973, marked by 246 strikes involving over 67,000 workers it forced Government into a re-appraisal of its labour relations.

The most significant development was the appointment in June 1977 of Professor Nicholas Wiehahn to head a 14 member commission of Inquiry into Labour Legislation. Its findings, released in May 1979, were accepted by Government and passed into law later that year. Among other reforms, for the first time black unions were able to officially register, have the same bargaining rights as white unions, racial discrimination in pay and occupations was to end, and segregation at the work place was no longer obligatory.

Ever since there has been a vigorous debate about the report, its implications and government strategy. Some have argued that the changes represent a more sophisticated form of control over black labour, attempting to lure unions into acceptance of industrial legislation which, while providing the carrots of recognition and an end to most racial barriers, leaving them susceptible to more effective government control.

If this was the ploy—as many observers believe—the result has been different. Government, employers, workers and unionists have been tumbled into a new era of labour relations during which no party can confidently predict the outcome.



Dr. Piet van der Merwe, Deputy Director General of Manpower, asserts the Government's commitment to move away from discrimination in labour legislation, while acknowledging that the process is not yet completed.

Among the reforms he points to is the end to racial barriers to apprenticeships. But progress is slow. Only 211 blacks were registered last year compared to 8,568 whites.

What disturbs both Government and employers, and makes responses difficult to co-ordinate, is that there is no clear pattern underlying labour unrest. In particular, responsibility cannot be laid solely at the door of the unions. In some cases, such as the Rosslyn Industrial estate outside Pretoria, strikes have occurred with little if any direct union involvement.

Employer reaction ranges from the pragmatic to the hostile. Mike Rosholt of Barlow Rand, South Africa's largest industrial conglomerate, says black trades unions must be accepted as a fact of life. "They must be seen as bodies which can possibly defuse labour problems," he says.

Unregistered unions, he argues, had been able to prove that they were more representative of black workers than the more conservative registered unions: "Our present policy is . . . that we should talk with any unions that approach us, whether they are registered or not."

The South African Federated Chamber of Industries, despite some opposition within its ranks, has published guidelines which take the same pragmatic stance.

Flexible

"While every effort should be made to negotiate within the formal framework set by industrial legislation a flexible approach to the development of appropriate institutional structures over time is vitally important. . . . There will be instances in which employers find it necessary to negotiate with unregistered work groups which are representative of worker interests. . . . Legislative frameworks must not be permitted to obstruct the democratic development of workers' organisations, or to disrupt bona fide collective bargaining."

The implication of such a statement is as far reaching as the declaration by Thozamile Gqweta with which this article began. If the unionist reveals the inevitable intrusion of politics so the FCI guidelines show the extent to which existing industrial legislation is inadequate. It is a stark acknowledgement that labour negotiations must increasingly be conducted outside a recognised and established framework.

Both worker and employer are feeling their way through uncharted territory, unable to rely on Government to provide a map or even a confident indication of the general direction they must travel.

This is either a formula for disruption; or it could push Government, however reluctantly, closer to the logic of relaxed union legislation—a broad-based union movement which breaks down racial barriers.

One important question is how long an artificial distinction between politics and labour relations can be sustained? Or indeed whether forces within the labour movement will deliberately adopt the unions as overt political weapons and instruments of change.

There are other factors in this complex picture. The first is whether the black unions can sustain the dramatic increase in their strength. Mr. Alex Irwin, until recently general secretary of FOSATU, argues that a period of consolidation has to follow the rapid growth. This requires a level of organisation which most of the unions do not have. "We also have to demonstrate that we can deliver the goods. But what is starting to happen is that the unions are meeting more sophisticated employers, prepared to pre-empt demands by offering terms which may well turn out to be unsatisfactory. By the time inexperienced union leaders discover this it may be too late and they will have to explain to their members why they did not strike a better deal."

Moves initiated from abroad to encourage change have limited impact. Such is the pace at which labour relations are changing that the role of the codes of conduct adopted by many companies in response to overseas pressures is diminishing. The European Economic Community code was adopted in September 1977, the same year in which the Sullivan Principles — named after the Rev Leon Sullivan were proposed and now supported by some 140 U.S. firms. They are designed to encourage non-racial unions, desegregate working conditions and bring about improved pay and equal job opportunities.

In the eyes of some unionists and observers their impact has been limited.

Union leaders argue that unless the codes carry sanctions they will remain of limited use. But the Rev. Sullivan, visiting South Africa late last year, warned that he would turn the screws on companies not implementing his code, including the threat of making them targets for disinvestment.

Meanwhile there are storm warnings ahead. A draft Industrial Conciliation Amendment Bill which effectively increases Government powers has met with strong protest. One contentious feature of the Bill places unions under considerable pressure to register—but once registered they would be liable to tough controls. Opposition to the Bill comes not only from FOSATU, CUSA and SAAWU, but the Trade Union Council of South Africa which has attempted to work within the labour legislation.

TUCSA has gone so far as to threaten withdrawal from the official system if the Bill was not changed, FOSATU has described it as impractical and inequitable, while SAAWU has bluntly restated its refusal to register.

The Bill is expected to come before the next session of Parliament and most observers believe Government will have to change some of the provisions if the new legislation is to be workable.

A second unresolved issue involves the hundreds of thousands of migrant workers in South Africa's mines and the rest of industry. The Natal Supreme Court earlier this month said a contract worker employed by a sugar mill could not be evicted from his compound house without a court order.

Since it was an interim order its immediate impact is limited but the possible implications are considerable. It could mean that contract workers on strike cannot be immediately evicted—and eviction has in the past been one of the employers' most powerful weapons.

Government officials themselves accept that some Labour unrest is inevitable but argue that it will stem not from deep rooted problems. Rather it will be the result of a comparatively new legislative structure which must inevitably undergo teething problems.

Black unionists are markedly more pessimistic. Mr. Piroshaw Camay, General Secretary of CUSA, reflects the view of many labour leaders when he says events over the next 12 months "depend basically on the states response to representation about the Industrial Conciliation Amendment Bill. If its features don't change, then the industrial relations system will collapse and there will be more confrontation."

Investors take a cautious view

FOREIGN INVESTMENT

BERNARD SIMON

THE IMPORTANCE of foreign investment to South Africa cannot be measured in numbers.

Direct long-term investment accounts for less than 10 per cent of South Africa's fixed capital stock. Foreign companies dominate several key factors, including the motor industry, oil, computers, pharmaceuticals and several specialised engineering industries. And their knowhow is indispensable to South Africa's economic progress.

In recent years, foreign investment has flowed steadily in both directions in the past year or two—in and out. It is as easy to compile a list of well-known companies which have reduced their exposure to South Africa—Firestone, ITT, Reed, Tate and Lyle and Legal and General are some examples—as to tick off those that have increased their investments here.

Overall, the number of foreign companies operating south of the Limpopo appears to have changed very little in the past five years. According to very rough guesstimates, about 1,200-1,500 companies have a major British shareholder. Another 350 have U.S. connections, and a similar number have a West German affiliate or parent.

The reason for the two-way traffic with no obvious bias either way is that foreign investors have faced a number of strong conflicting pressures, and have reacted in different ways.

Uncertainty

On the one hand, there is continuing uncertainty about South Africa's political future. While business operations are unlikely to be threatened by political upheavals for the time being, some investors have taken a longer term view, hesitating to commit themselves for more than five or 10 years.

Restrictions on commercial links with South Africa have also taken their toll. The Swedish Government's ban on new investment was one reason why ASEA, the largest Swedish-owned company in South Africa, decided last year to reduce its foreign shareholding from 44 per cent to just under 25 per cent.

Other investors, such as Racal and ITT, have been embarrassed by their local affiliates' connections with sensitive South African Government agencies—especially in the military field.

These disincentives to new investment have been matched by the attractions of the South African market in the form of high profitability, short pay-back periods and a reasonably sophisticated and efficient business environment. The South African Government has never nationalised a foreign-owned company.

Most active

The South African-German Chamber of Trade and Industry has estimated that a medium-sized company with an annual turnover of about R2m, investing funds in South Africa through financial Rand, can normally pay off its investment within three years.

German companies have been among the most active in expanding their South African interests. Siemens, Hoechst and Daimler Benz are among those with large capital investment programmes and no fewer than seven German banks have representative offices in Johannesburg.

The UK accounts for over half of total foreign investment and South Africa has been a valuable source of dividend income for hard-pressed British companies in the past year or two. Mitchell Cott's local operation raised its contribution to the parent company by more than two-thirds last year to £4.5m, exactly half the group's overall pre-tax profit of £9.0m.

Several British-owned companies, including Barclays Bank, Metal Box and NEI Africa, increased profits by 50 per cent or more last year.

Troubles in Britain, rather than South Africa, have explained most of the recent disinvestments by UK-based companies. Badly in need of extra liquidity, the UK parents have decided to sell assets abroad.

One drawback for these companies, and other foreign investors, remains South Africa's strict foreign exchange controls. Dividend remittances are limited, for instance, to payments from post-1975 earnings, and capital exports must be routed through the financial rand, which is currently at a discount of 25-30 per cent to the commercial rate.

Nonetheless, the authorities have gone some way towards toning down the harshness of exchange controls. Several companies withdrawing from South Africa have managed to take a substantial slice of their assets out at the commercial rate in the form of special dividends (declared out of post-1975 earnings).

Earlier this year, the Government eased the restrictions on foreign companies' local borrowings. For example, a 100 per cent foreign-owned company can now borrow up to 50 per cent of its total investment—against 25 per cent previously.

The juiciest carrot offered to foreign investors in recent years was the widening of the former securities rand in January 1979 to include direct investment in industrial, commercial, mining and property ventures. Until then, the investment currency was normally available only for the purchase of shares quoted on the Johannesburg stock exchange.

Renamed financial rand, the currency has been an attractive incentive for new investment. In the past three years, its discount to the commercial rate has varied between 44 per cent—in January 1979—and 9 per cent at the beginning of 1980.

New investment

Direct investment accounts for a very small proportion of financial rand transactions. The main influences remain the buying and selling of South African shares by non-residents, and arbitrage trading.

According to reserve bank figures, some R800m in new direct investment has flowed in through the financial rand. The bulk of this amount has consisted of funds to expand existing enterprises. Metal Box, General Motors, Volkswagen and International Harvester are among the companies which have made use of the facility.

Other capital flows have, until recently, been strongly negative. The outflow of long-term capital last year was R616m, and in 1979 a record R1bn. South Africa is now widely regarded as being "under-borrowed" on international capital markets. So it is not surprising that foreign banks, after keeping their distance in the aftermath of the Soweto upheavals, are taking a renewed interest in lending to South Africa.

The Government scored major breakthroughs last year when it negotiated a DM 120m eurobond and a $250m syndicated credit in its own name at far finer rates than it would have been able to negotiate in 1977 or 1978.

A particular feature has been the change in attitude of U.S. banks. Most of the large banks promised not to lend to the Government or its agencies during the Carter administration, but Citicorp was one of the lead managers of last September's credit for the government. According to Johannesburg bankers, the number of their American counterparts passing through on the lookout for new business has risen dramatically in the past few months.

There is little doubt however, that the political outlook remains a stumbling block for foreign investors, whether banks or companies. South African borrowers are still unable to negotiate maturities of larger than seven years. The retention of exchange controls and the financial rand mechanism are signs of the authorities' nervousness at what might happen if foreign investors had a free choice what to do with their money.

FOREIGN INVESTMENT IN SOUTH AFRICA—1979
(Rbn)

	Total	EEC	Rest of Europe	Americas	Africa	Asia	Australasia
DIRECT INVESTMENT							
Government and banks:							
Long-term	0.3	0.3	—	—	—	—	—
Short-term	0.1	—	—	—	—	—	—
Private sector:							
Long-term	8.0	5.0	0.8	2.1	0.1	0.1	0.1
Short-term	1.8	1.1	0.2	0.3	0.2	—	—
INDIRECT INVESTMENT							
Government and banks:							
Long-term	2.2	1.3	0.3	0.5	—	—	—
Short-term	1.1	0.2	—	0.1	0.2	—	—
Private sector:							
Long-term	4.5	2.3	0.5	1.3	0.1	0.2	—
Short-term	1.0	0.3	0.1	0.4	—	0.1	—
Public corporations:							
Long-term	3.0	1.8	0.7	0.4	—	0.1	—
Short-term	0.8	0.7	0.1	—	—	—	—
Total	22.9	12.9	2.7	5.3	0.7	0.5	—
Per cent of total		56.2	11.7	23.1	3.0	2.0	0.5

Source: SA Reserve Bank.

Apartheid debate

CONTINUED FROM PAGE ONE

for blacks already living in urban areas, combined with stricter controls on the rural-urban drift. However, the difficulty of introducing any flexibility into the system without causing its total collapse has resulted in the recommendations still languishing with a committee of experts more than two years later.

Apart from the changes in the labour laws, the Government's reformist talk has been visible in two principal ways: in the use of permits and exemptions to relax rigid discrimination; and in increased spending on black amenities within the existing structures. The former has permitted a degree of multi-racial sport, and has also allowed some of the more expensive hotels and restaurants to serve both blacks and whites with so-called "international licences."

As with changes in labour legislation, the Government has used the language of free enterprise to reduce the level of statutory enforcement of discrimination. It is now increasingly up to the private sector to decide whether institutions should be segregated or multi-racial, whether they be business premises or a trade union. But the system also allows any small minority an effective veto right on desegregation. Separate institutions remain the overwhelming norm, and the awarding of permits is complex and arbitrary.

As for spending on black amenities, it has been appreciably increased for black education in particular, although the hated "Bantu education system" (as distinct from white education) remains separate and intact.

An announcement is expected at the opening of parliament in July on a big increase in spending on decentralisation through a new development bank under Dr. de Kock, which will not be tied to the political boundaries of the homelands, but will seek to promote economic development in much wider economic zones.

Dismissive

Along with higher wages from the economic boom, there is no doubt that some benefits are percolating through to blacks, although it is really only to the black élite in the homelands, and urban blacks. The great majority remain unaffected, and dismissive of the rhetoric of change.

They point to the steamroller of apartheid pushing ahead regardless: more than 200,000 blacks were arrested in 1980 for pass law offences under the influx control laws. The Group Areas Act, enforcing residential segregation, is still being implemented with a vengeance: hundreds of coloureds and Indian tenants have been charged in Johannesburg with illegally living in white areas, although there is a critical housing shortage in their own townships. The resettlement of rural blacks, from so-called black spots in white areas, from white farms, and "idle and undesirable" black immigrants in urban areas, continues.

The whole structure of bureaucracy controlling black lives and movement in South Africa, very largely at the whim of civil servants, means that although white South Africa enjoys a democracy, for blacks the system is a dictatorship. The homeland governments themselves, where blacks supposedly do have a say, have a worse record on civil liberties than the central Government, and corruption is rife.

Mr. Botha's piecemeal programme of reform does not begin to alter that system. Rather, he is talking about a vague "constellation of states," a form of confederation, which would provide some loose central structures, but leave all the effective political power intact at the lower levels of the white parliament and the homeland governments.

He has also set up the advisory president's council (dealt with elsewhere in the survey), but its remit is simply to consider ways of bringing the coloured and Indian communities, not the blacks, into the white system.

"The Prime Minister and some of his ministers may talk as if they are now ashamed of apartheid," says Chief Gatsha Buthelezi, the Chief Minister of the Kwazulu homeland, and the only homeland leader with a substantial grassroots following. "But so long as there is no intention to abandon white *Baasskap* "supremacy" and to substitute power-sharing, it is political dishonesty to talk of apartheid as 'dead'."

Power sharing

Bishop Desmond Tutu, the secretary general of the South African Council of Churches, makes the same point: "The bulk of blacks agree that they are not going to take anything less than power-sharing. If we have got a crisis, the re-thinking has got to be so fundamental that there are no holy cows."

Mr. Botha is caught between this hostile black reaction to piecemeal reform, and the deep-seated resistance of his own people to any fundamental change which might threaten white rule. The profound conservatism of white South Africa was underlined yet again by the April general election result in which Mr. Botha lost substantially more votes to the extreme Right-wing Herstigte Nasionale Party (HNP) than to the liberal progressive Federal Party (PFP).

Add to this dilemma, Mr. Botha's own apparent lack of clarity on where he is going. His total strategy does not have a positive goal. In reality it is a negative concept: resistance to the outside onslaught. Yet he has, at the moment, probably the most favourable combination of circumstances for change of any South African Prime Minister in recent history.

The wealth and growth of the South African economy is better able to pay for some redistribution of income from whites to blacks. Conservative Governments in London and Washington are keen to give his reformist rhetoric a chance to be proved in practice, and he has just won an election for five years, in spite of some loss of support, with an overwhelming majority.

Mr. Botha's closest supporters say one must have faith in his belief in the need for reform: "If we follow the path that the swing to the right indicates, into a policy of confrontation, we are going to blow up," says Ton Vosloo, the editor of "Beeld," the Afrikaans-language newspaper in Johannesburg closest to the Prime Minister. "Common sense must prevail. The next five years are crucial, but I retain my faith."

At both ends of the political spectrum there are those who believe it is already too late to achieve peaceful change in South Africa. But few doubt that if this change is to come, it must be within the next five years.

Growing sophistication in an individual market

STOCK EXCHANGE
MICHAEL COULSON

FOR MUCH of the 1970s the Johannesburg Stock Exchange was suffering the hangovers of the 1968-69 industrial share boom and—premature—1973-74 gold boom but the decade certainly went out with a bang.

It is only by comparison with the recent past that the current declines in activity and prices can be dubbed disappointing.

The JSE-Actuaries Industrial Index (local equivalent of the FT Actuaries) hit a peak of about 400 in May, 1969. It fell by 50 per cent by the end of 1971, rallied in 1972-73 before falling back to test the low, and only in 1979, 10 years later, was the old peak again reached. Not only was it reached but it was triumphantly breached, as the index roared ahead to a new high of 682 early last November. It has since eased about 10 per cent but the index is still more than 50 per cent above the 1969 high, which for so long had appeared an unattainable nirvana.

Considering the degree of inflation in the 1970s, this may still not seem such an impressive performance. But, while the madness of 1969 had seen yields bid down to two per cent or less for leading bluechips and p/e ratios of 20 were by no means unheard of, long-term earnings and dividend growth were little affected by the cyclical economic fluctuations of the decade.

A bluechip like chemical giant AECI, jointly controlled by ICI and Harry Oppenheimer's Anglo American/De Beers Juggernaut, increased its dividends in every year except two between 1970 and 1980, rising over the period from 14 cent to 45 cent share.

Dividends

Consumer giant SA Breweries did slightly better, pegging dividends in only one year over the past decade, with an overall increase from 6 cents a share to 27 cents and, since the merger of thrusting Thos Barlow and Sons with the old-established mining house Rand Mines in 1972, to create the industrial and mining conglomerate Barlow Rand, its dividends have risen from 11.5 cents a share to the latest 58 cents.

The rate of earnings and dividend growth certainly accelerated in 1979-80, as the economic boom gathered momentum. Long-term investors in South African industrial stocks clearly have little to complain about.

The All-Share Index, reflecting the heavy weighting of mining stocks, whose fortunes are determined more by international than by domestic influences, lagged behind the industrial index for much of the 1960s, out-performed it in the 1973-74 gold boom, then faltered again, and only moderately out-performed the industrial index in 1979-80, one of the rare booms—for South Africa, at any rate—when gold and industrial shares scaled the heights side by side instead of moving in opposite directions.

The 1979-80 period was unusual in that a take-off in industrial profits and dividends coincided with a soaring gold price, and hence soaring gold share dividends. Coupled with these developments was a massive increase in investible funds as the money supply exploded—in turn, in part caused by a huge gold-induced surplus on the current account of the balance of payments. It would have been surprising if gold and industrial shares had not produced their best performance in a decade.

Just as inexorably, this year's slacker market conditions reflect a drooping gold price, expectations of slower domestic economic growth, and apprehension of the authorities' determination—as yet unfulfilled—to bring the money supply under control again.

But if the JSE cannot escape the universal laws of market behaviour, it nevertheless retained (like too many aspects of South African society) some highly individual characteristics.

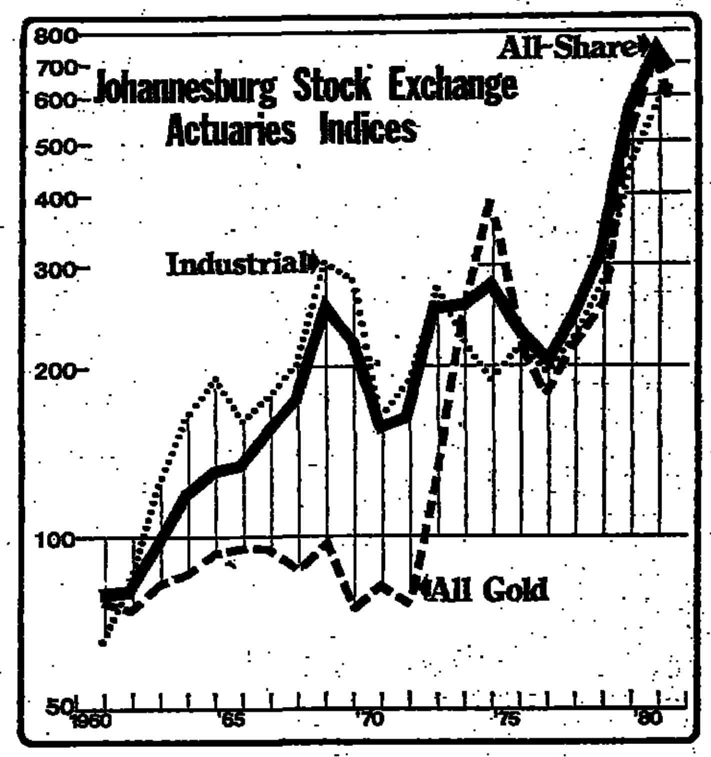
Bear selling is in theory rigidly circumscribed but an undisclosed—and still unproven—bear squeeze lay behind the surge in the share price earlier this year of Unions Wine, a relatively obscure liquor company, from little more than 100 cents to 1,900 cents in only a few weeks. It is now back to 350 cents.

Institutional investors, mainly Life assurers and pension funds are responsible for an ever-growing proportion of market purchases but there is still a strong sub-stratum of private investors who often give the impression of being far more interested in following unsubstantiated tips on dubious mining speculations than in the less exciting but more probable rewards from industrial blue-chips.

Slow as sophistication may be to develop, though, the trend is there. Again, figures help tell the story. Until the late 1970s, there was only a negligible secondary market in gilts.

Institutions are compelled by law to hold large quantities of gilts but few had the expertise to optimise portfolio performance, and most were aghast at the thought of incurring book losses even if, in the process, they could improve their income as well as—long-term—capital position.

Institutional ignorance was matched by most stockbrokers.



As a result, much of what attenuated secondary market in gilts there was by-passed the stock exchange floor and was conducted direct between institutions or through the merchant banks and discount houses.

Realisation that, in spite of the much lower margins in gilts trading, there was a vast market to be tapped that could help offset the dull equity markets of 1975-78 was at first restricted to a couple of firms, who accordingly reaped innovatory profits.

As it spread and other brokers sought to climb on the bandwagon, the shortage of gilts specialists saw brokers luring "experts" away from merchant banks at salary and incentive packages more than once reputed to run into six figures a year.

Any broking house worth its salt now participates in the gilt market so the jam is now spread a lot more thinly but the fact remains that the value of gilt trading, so long a minuscule proportion of the total, now actually exceeds that of equities.

Institutions no longer buy chunks of gilts on issue and hold until maturity regardless, but trade actively to maximise returns which, admittedly, was a much more painless process when interest rates were falling, and hence prices rising, than it may be in the next few months as interest rates reach unprecedented highs.

Another sign of sophistication is the JSE's ability to meet its theoretical economic function of raising capital for economic development. Not only have sums been raised for both new gold mining developments and expansion of existing mines on a scale that would have seemed like a fairy tale a decade ago, the exchange also took in its stride the largest industrial new issue in the country's history—the flotation of Sasol, South Africa's unique oil-from-coal project.

In 1966, AECI went public in probably the largest industrial flotation until then, raising R32.4m in the process. In several tranches between September 1979 and January 1981, Sasol raised no less than R525m.

Now quoted at 400 cents—exactly double the issue price (Sasol's total equity), including the shares retained by the public sector—is valued at R1,500m more than either Barlow Rand (R1,400m) or S.A. Breweries (a mere R900m).

Sasol, too, can be readily traded, unlike all too many shares listed on the JSE. It is a consequence of the pattern of South Africa's mining development that large slices of the equity of most mining shares are firmly held by either the administering mining finance house or others brought in as associates.

Abroad

Other large holdings are effectively removed from the local market by being held abroad.

As so much early secondary industry was financed by the mining houses, either as a form of diversification or to ensure supplies of some essential input material, many listed industrial shares are also mining house subsidiaries or associates. Many others are still controlled by the second or third generation of the founding families.

Until comparatively recently the mining houses avoided conflict among themselves, preferring gentlemanly co-existence—a legacy of the comfortable fact that even if they belong to different houses, no two gold mines are really in competition, as they can all sell their entire output at a standard price, which no individual mine or house can influence.

This cosy club atmosphere only means that many industrial shares are far more difficult to trade in than the size of the underlying corporations would appear to justify.

The Johannesburg stock exchange is no more perfect than any other human creation. But it has weathered the uncertainties of the 1970s and come out smiling, in remarkably good shape. There may still be a long way to go, but the market is far more orderly and sophisticated than it was 10 years ago.

Moves to diminish controls

BANKING AND FINANCE
BERNARD SIMON

THE WINDS of change are gusting through South Africa's banking system. More than any other sector, the country's 50-odd banks are being exposed to the authorities' recent experiment of dismantling some of the bureaucratic controls which for years have been one of the most irritating and restrictive features of business life here.

One reason why the banks are in the front line is that they have in the past enjoyed an unusually high degree of protection from competition and from other market forces which most businessmen take for granted.

South Africa's banking services are probably among the most expensive in the world, largely the result of a cartel among the 10 clearing banks, known euphemistically as a "register of co-operation."

Furthermore, any significant changes in interest rates or the price of bank services have had to be cleared with the authorities in Pretoria, which until recently, argued that the cartel was a useful way of protecting smaller banks, and that lack of price competition gave the large banks an incentive to open branches in remote rural areas.

Two British-controlled banks, Barclays and Standard, dominate the banking sector. Both offer a wide variety of sophisticated services, ranging from consumer finance to merchant banking and factoring. The next three largest groups, Nedbank, Volkskas and Bankorp, are all South African-owned.

According to an amendment to the Banks Act in the early 1970s, foreign-owned banks have to raise their local shareholdings to at least 50 per cent by 1986. But the Government has apparently realised that forcing them to stick to this deadline may do South Africa's image among foreign investors more harm than good, and bankers hope that it may be quietly dropped.

In other ways, too, the authorities have begun to show increasing flexibility in overseeing the financial sector. Both the cartel and bureaucratic controls have come under growing strain in the past year or two, and moves towards diminishing their importance in the banking system are likely to gather momentum in the months ahead.

"We're going into a much more aggressive environment," one senior banker said.

Personalities have played a key role in forcing the pace of change. In both the public and private sectors, men keen to try out new ideas and to run banks as businesses free of government interference have begun to make their voices heard.

None has been more influential than Dr. Gerhard de Kock, the amiable former economics lecturer who took over as governor of the Reserve Bank last January. Dr. De Kock replaced Dr. Bob de Jongh, whose conservative views on interest rate management and foreign exchange controls brought him into frequent disagreement with Finance Minister Mr. Owen Horwood and his Treasury advisers, including Dr. de Kock.

Besides his job at the Reserve Bank, Dr. de Kock has, since August 1977, chaired a high-level commission of inquiry into the monetary system and monetary policy.

The commission's interim report, published just over two years ago, resulted in major changes in the foreign exchange markets, including the abolition of fixed spreads on banks' foreign exchange quotes and a substantial relaxation of exchange controls, particularly over non-residents. To what extent these controls may be tightened again when the balance of payments deteriorates remains to be seen.

The finishing touches are now being put to the commission's final report. Mr. Horwood will probably outline its main recommendations in his budget on August 26, and the full report will be released shortly afterwards.

Overhaul

The report is likely to propose a sweeping overhaul of South Africa's financial markets, with the emphasis on fewer arbitrary controls on interest rates. It will suggest ways in which monetary policy can be effectively implemented by more active official intervention in the money and foreign exchange markets, for instance by open market operations, more frequent adjustments of the Reserve Bank's discount rate—Bank rate—and a market-related re-discounting policy.

Dr. de Kock has not waited for publication of the commission's report before pressing ahead with some of his ideas. The runaway 27 per cent jump in the money supply last year and the inflation rate—now accelerating towards 20 per cent—have already prompted him to start the process of reform.

A variety of new money market instruments, such as special Reserve Bank debentures and tap Treasury Bills, have been used in recent months, first to mop up liquidity, then during the traditionally tight February month-end, to ease a shortage of funds.

As proof of Dr. de Kock's intentions, the authorities have encouraged a very rapid increase in interest rates in the past nine months. For instance, the rate on three-month bankers' acceptances moved up from 4.8 per cent in mid-1980 to 10 per cent in early May, while the banks' prime overdraft rate has been raised four times so far this year, from 9.5 per cent to 13 per cent, an unheard of rate of increase in South Africa.

In terms of an agreement between Church Square and the banks, prime rate must be held between 2.5 and 3.5 percentage points above Bank rate. The banks are pressing for a relaxation of the curbs on prime rate adjustments.

One argument in their favour—and a further factor behind the recent interest rates spiral—was the abolition some 18 months ago of deposit rate control.

Limits on the returns which financial institutions could offer investors were a major constraint on competition between banks and building societies and among banks themselves. But with the ceilings lifted, banks and building societies in particular have fallen over themselves to attract deposits, especially volatile institution funds.

The authorities have already gone some way towards giving the banks more freedom in pricing their product. Maximum lending rates, pegged for years at 14 per cent for overdrafts and 21 per cent for most other transactions, were raised last March. Banks may now charge up to 24 per cent a year, depending on the type of transaction and the amount involved, and bankers are preparing their customers for overdraft rates of 20 per cent or more.

The move towards more flexible interest rates has coincided with an erosion of the clearing banks' cartel. Even the Government has recently changed its attitude towards the cartel: the Registrar of Banks told an Institute of Bankers dinner recently that the authorities were keen for it to be brought to an end.

However, most banks welcome the move away from artificial restraints, some remain apprehensive—mainly about the effect wider competition will have on their profitability.

Government forced to think again

HOMELANDS

BY A CORRESPONDENT

DR. VERWOERD, the architect of "separate development," must be turning in his grave. Not so much because South Africa is undergoing a fractional relaxation of racial discrimination, as because the Nationalist Government is today rethinking the foundation of the grand design of the assassinated Prime Minister.

The most able bureaucrats and ideologues in Pretoria have gone back to the drawing board. Their brief was summed up in the words of the Minister of Co-operation and Development, Dr. Piet Koornhof: "With all our ideals, we must also be realists."

What seems to have happened is that the Government has at last acknowledged that the *economic* pillar of the separate development policy is tottering.

"We have learned from hard experience," said the Prime Minister, Mr. P. W. Botha, last October, "that the scope for economic decentralisation [to the homelands] is limited by economic laws and requirements, few of which happen to coincide in their effect with political boundaries as such."

What he meant—as his senior advisers are happy these days to admit—is that the policy of drawing political boundaries on the map and hoping that economic development will follow these same lines has simply failed to work.

The Government has therefore instructed its bureaucrats — led by Professor Jan Lombard, a leading Afrikaner academic, and Dr. Gerhard de Kock, governor of the Reserve Bank,—to draw up a new policy of economic decentralisation and development based not so much on tribal "homelands" as on regional axes linking both white and black areas.

Dr. Verwoerd had always argued that the South African whites must choose between "baasskap" white supremacy (which he said was not maintainable in the long run); full racial integration (which he and most Afrikaners abhorred); and "separate development" of the republic, whereby the land and its peoples would be divided into self-governing states based on ethnic divisions.

The blacks could expect to enjoy political rights only in Bantustan homelands to which they would be allocated according to their tribe.

For more than a generation white South Africa has therefore been undertaking the colossal exercise of putting Dr. Verwoerd's plans into effect. To date, this has involved the setting up of 10 Bantustans, three of which are *now* "independent" (though unrecognised by the rest of the world), with Ciskei joining them next December.

It involved the "constellation" of vast acreages, the swapping of land to and fro between blacks and whites — at great expense — to fill out the jigsaw maps of the draughtsmen in Pretoria; the transfer, or "resettlement," of hundreds of thousands of blacks, often to conditions of great misery; and the imposition of a massive mechanism to control the passage of millions of black workers between the labour reservoirs of the homelands and the economies of the white cities.

Inadequate

But the political policy of separate development was always fundamentally linked to a second, this time economic, policy: decentralisation. As in so many other countries, the idea was to direct industry—and jobs—away from the overcrowded metropolitan areas—the Witwatersrand, Cape Town, Durban, Port Elizabeth—either into the Bantustans or at least, to their borders.

Critics have for years been arguing that this policy has failed.

For example, all the efforts and incentives of the Corporation for Economic Development—formerly the Bantu Investment Corporation—to develop homeland infrastructure and persuade industrialists to set up factories in the border areas have, according to the latest CED report created 24,000 jobs in industry and 16,000 in agriculture at a cost of R323m. To put this achievement in perspective, the labour supply in the Bantustans alone has been growing by more than 100,000 *per year*.

There has therefore been an utterly inadequate checking of the flow of blacks to the white areas, which was supposed—under Dr. Verwoerd's policy—to have been reversed by 1978.

However, it is important to grant that the failure of this policy has been acknowledged by the Prime Minister and his advisers—if not by the National Party caucus.

Details of the new policy will begin to emerge later this year.

All that can be said for the moment is that Apartheid Mark Two will bring together the following elements:

● A Southern African Development Bank, modelled on the World Bank — though of course with South Africa as the principal backer. It should come into existence in January or April 1982.

● This bank will serve the "Constellation of States" which is how the Prime Minister envisages Southern Africa's political structure: apparently this is to contain the white Republic, the "independent" Bantustans, in due course the other Bantustans, and, eventually, other States of the region.

● Meanwhile the tribal Bantustans will continue to be urged to proceed to political "independence," in the steps of Transkei, Bophuthatswana, Venda and Ciskei, on terms which are intended to turn all South Africa's blacks into "citizens" of these "nation states."

● However, it is clear that the "consolidation" of white land into the black states is likely to draw to a halt.

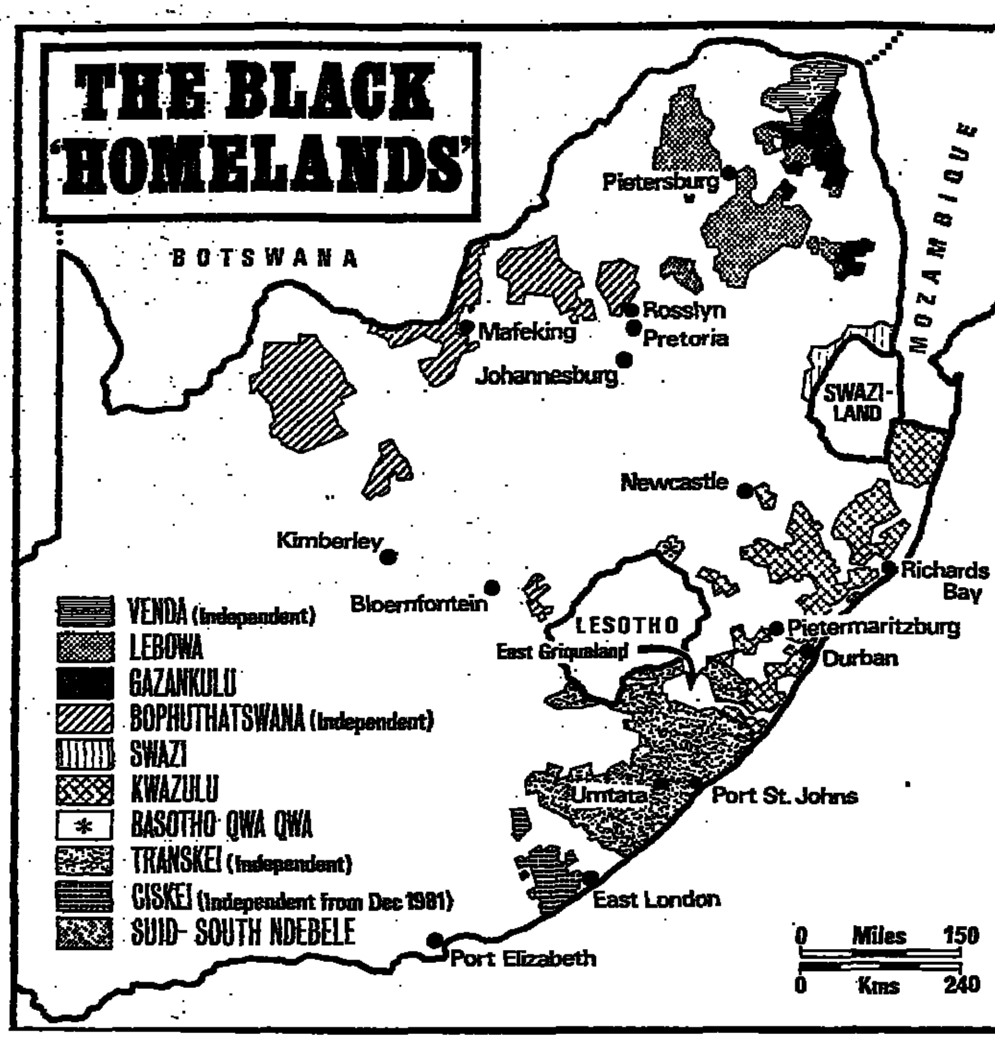
● The Corporation for Economic Development will be disbanded and its functions taken over by the development bank and the local CEDs.

It is too soon to tell whether Mr. Botha's battered National Party caucus will wholeheartedly endorse this policy.

There are also various delicate implications to be debated: for instance, will this development bank be used as another weapon to persuade reluctant black leaders to accept an ethnic political independence — will membership of and access to the bank be limited to "independent" homelands?

Or, in the longer run, will it be possible to sustain the political frontier lines on the Bantustan maps at all if the new regional economic policy effectively overrides them.

And, of course, it is possible that the Prime Minister or his Cabinet may yet lose their collective nerve. But if courage holds, then this Government may be preparing to check the basic trend of the past generation, and admit that the Republic is indivisible — or at least, that its economy is.



Coloured people may be given a role

CONSTITUTIONAL PLANS

JOHN STEWART

FOR 25 years the ruling National Party has been searching for an alternative constitutional model "to accommodate the unique features of the plural South African society," in the words of a Government inquiry into the subject.

The Government's grand strategy is that the country's 20m-strong black population should exercise its political rights through real or imagined kinship with one or another of the tribal homelands. It is a plan in considerable disarray, as discussed elsewhere on this page, but it remains the Government's committed policy. What the strategy fails to provide for, however, are South Africa's other so-called non-white ethnic groups: the 2.5m coloured people (of mixed race) and its 800,000 Indians.

The coloured people in particular represent the Achilles heel of the National Party government's attempts to present its policy as being non-racist. They share the same culture and language as the ruling Afrikaners, their ancestors were the same early white settlers, as well as the indigenous Hottentot people. Africans and Malay slaves. Yet they have been excluded from any voice in the political system of the country, purely on the grounds of skin colour.

Resented

The history of that exclusion goes back to the constitutional crisis of the 1950s, which culminated in 1956 with the removal of coloured people from the common voters roll. The National Party was committed to institutionalised racial separation, with the enactment of measures such as the miscegenation clause of the Immorality Act (barring sex across the colour line), the Prohibition of Mixed Marriages Act and the Separate Amenities Act.

All those laws were and still are bitterly resented by the coloured people.

Seen against the customary rigidity in which most National Party policy renewal is clothed, the establishment of the Council is a significant advance, because it makes provision for coloureds, Indians and Chinese —but not the majority African population—to be included in what the government hopes will be a meaningful process of constitution making.

The exclusion of Africans is an obvious flaw. It has alienated the support of the official white Opposition, despite cautious Government undertakings that Africans, one way or another, will be consulted in the process. It has also angered even the Conservative tribal homeland leaders, who have as a result refused to recognise it.

Mounting right wing opposition to the Botha administration is another obvious constraint. Conservatives in the party, and outside it, perceive the council as a constitutional threat, in spite of firm declarations from the Prime Minister that recommendations emerging from the council will be subject to the approval of the congresses of the National Party.

Even so there does not appear to be much danger that the President's Council will trouble the National Party parliamentary caucus and the Cabinet with uncomfortable recommendations. The council is dominated by National Party functionaries, all of whom have a pretty shrewd idea of how much constitutional reform the party will bear. For this reason they are unlikely to support schemes that are not viable in National Party policies.

Moreover, the non-whites appointed are by no stretch of the imagination representative and there have been publicly expressed suspicions that the white members, including a handful of former Cabinet Ministers, have been "dumped" there to make way for brighter, less conservative men in the Cabinet. But this is not to say that the whole exercise is pointless.

Constitutional reform has to start somewhere and the council does contain a handful of people with the will and the vision to make the body a factor in national politics. And since its recommendations will be tabled in parliament it will be possible to measure its desire and ability to become an instrument of change.

Most observers tend to view the Council as a mechanism to assist the Botha administration to pass potentially unpopular new proposals through a reactionary caucus. It is argued that such proposals could be presented as the product of an ostensibly broadbased national assembly rather than something devised by his small cadre of confidants, and therefore win wider support.

The clearest indication of the government's thinking on a new constitutional dispensation emerged in a plan unveiled in 1977 by a Cabinet committee headed by the Prime Minister, Mr. P. W. Botha, then the defence minister. The blueprint, adopted at the National Party provincial congresses, proposed three separate parliaments for whites, coloured and Indians and provided for some inter-race consultation through a council of cabinets and a multi-racial advisory president's council.

The proposal was rejected by the coloured people who, in a commission of inquiry of their own, demanded nothing short of full citizenship and the franchise on a common roll with coloured representation in a single sovereign parliament.

Three choices

As it stands, the President's Council does not seem to have more than three choices: to support the 1977 three parliament proposal; or suggest a single tri-cameral parliament; or a one chamber non-racial parliament.

The third option would satisfy non-white minorities, but not the whites. At a push, options one and two could be digested by reactionary whites in the council and perhaps even in the nationalist caucus, but it is unlikely that the broad body of coloured and Indian voters would accept either plan.

The tri-cameral parliament is the idea most favoured by leading Nationalist council members. But first the council has to overcome the legacy of mistrust in the non-white groups.

Impressive machine on alert

THE MILITARY

QUENTIN PEEL

THE SIGNS of South Africa's increasing state of military preparedness are there for all to see: pick-up points on all major roads for soldiers hitch-hiking home: interminable programmes on the radio sending messages to the "boys on the border": long columns of military vehicles, painted brown, setting off for undisclosed destinations from their bases outside Pretoria.

Mr. P. W. Botha's total strategy, conceived by his military commanders, is based on the belief that there is an international onslaught on South Africa which is only 20 per cent military, and 80 per cent economic, political and psychological. For that reason, according to General Magnus Malan, the former chief of the South African Defence Force, and now Minister of Defence all sectors of South African society and the economy must be co-ordinated to resist it.

South Africa's impressive military machine is at the heart of the total strategy, and the development of an indigenous armaments industry. In the face of increasingly tight and well-policed arms sanctions, South Africa has turned Armscor, the armaments development corporation, into what is claimed to be the largest arms manufacturer in the southern hemisphere.

The corporation is still in the market as an arms buyer, although surreptitiously, as the occasional international prosecution reveals. It has also made major strides, through subsidiaries such as Atlas Aircraft, and Kentron Electronics, towards self-sufficiency.

Much of the equipment is obviously derivative, based on originals from France (Mirage jet fighters, Crotale missiles), Italy (the Aeromacchi trainer aircraft) and Israel (Reshef and Dvora missile patrol boats, including their Gabriel missiles), among others.

Supplying the armaments industry in South Africa has provided lucrative business throughout the engineering industry, with 600 companies involved, in addition to Armscor's own 14 factories in which some 23,000 are employed.

The national defence budget has virtually quadrupled in the last decade, now standing at almost R2bn, with another estimated R1bn hidden in the budget estimates of other government departments. Apart from the investment in armaments, it reflects the escalating cost of the war against Swapo guerrillas in Northern Namibia, the doubling of national call-up from one year to two, and the establishment of new permanent units such as black tribal battalions.

According to the last defence White Paper, "preparation for modern warfare, whether conventional or unconventional, necessitates highly co-ordinated action. This is particularly true of a total onslaught such as is being waged against South Africa. Thorough planning at all levels is therefore required in order to obtain such co-ordination."

With that aim, Mr. Botha, whose whole political thinking has been profoundly influenced by 14 years as Minister of Defence, has revived the relatively moribund State Security Council as a key co-ordinating body, on a par with the Cabinet and the Prime Minister's office. Below it are 15 separate inter-departmental committees to involve the civil service in the total planning effort, each with military representatives. Their job is to "process the total strategy directives of the SSC."

The private sector is also increasingly involved.

The Key Points Act, for example, requires any factory designated a key point to invest in tighter security against possible sabotage. The National Supplies Procurement Act gives Government the power to take over private businesses for defence reasons—for example if a foreign company supplying equipment to the defence force tried to close down its South African operation.

Urban blacks feel leaderless and alienated

BLACK POLITICS
QUENTIN PEEL

DR. NTHATO MOTLANA, chairman of the so-called Committee of 10 in the sprawling black township complex of Soweto, outside Johannesburg, is a prosperous doctor as well as a civic leader. He sits in his short white coat behind a desk at his surgery in the better-off township of Dube, surrounded by medical journals and political books, telling a story about his contacts with white South Africans.

"Three weeks ago I had the students' representative council from Stellenbosch (the premier Afrikaner university)," he said. "That was really something. They sat in my living room.

"A ferment is really taking place there, and they are very keen that we maintain some sort of contact. They gave me a tremendous reception when I went to speak there." Dr. Motlana paused. "But I can't get my son, who is also at university, to see them. I couldn't get one black student to come." It is a chastening story from a man who represents a fairly radical constituency himself.

The breakdown in communications between blacks and whites has become widespread since the Soweto riots of 1976. That was the time of the great radicalisation of black youth. But even before then, the 1970s saw the re-emergence of radical black politics after the dormant years of the late 1960s, when the African National Congress (ANC) and the Pan-Africanist Congress (PAC) were banned and retreated into exile.

There have been several important threads in that process: the growth of the Black Consciousness Movement among black students and urban radicals, the organisation of Inkatha, originally a Zulu cultural movement, which has been turned by Chief Gatsha Buthelezi into the largest legal black political party in South Africa; the development of black community politics in different parts of the country; the growth of black trade unions (dealt with in more detail elsewhere): a variety of student movements; and most recently, the re-appearance of the banned ANC, and to a lesser extent the PAC, on the streets of black townships.

There has been cross-fertilisation between many of those organisations in spite of apparent ideological differences: between Black Consciousness, the black community movement, and the trade unions, between Inkatha and the trade unions, and between the ANC and PAC and both Inkatha and Black Consciousness.

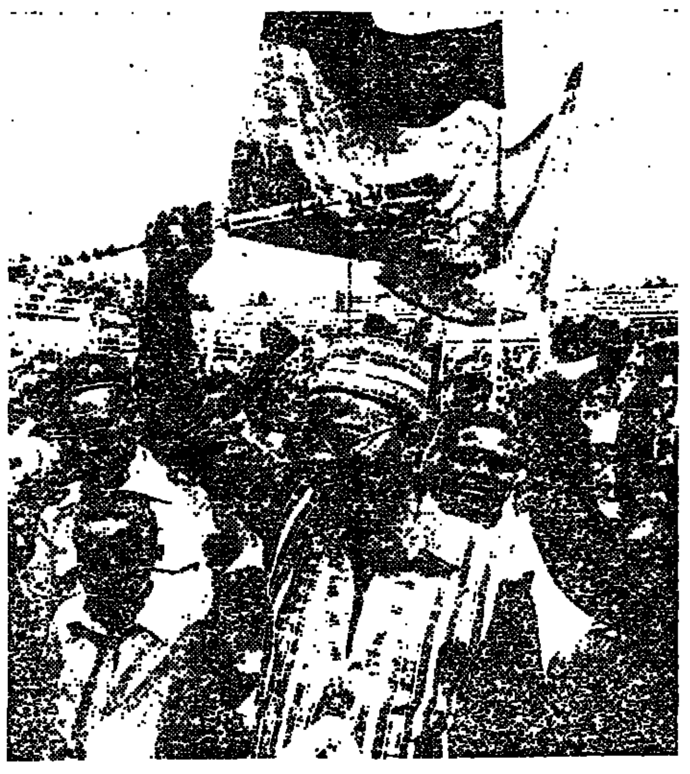
While the Government has sought to encourage the development of tribally-based homeland politics, those more broadly-based organisations have suffered an inevitable process of harassment, detention of their leaders, and ultimately, banning.

As a result, urban blacks today feel largely leaderless and deeply alienated, as a study published in 1980 by the University of Cape Town's graduate school of business concluded: "(The urban black) vaguely hopes for a Messianic leader to achieve improvements in his lot which he cannot identify fully or go about achieving himself. Any leader who negotiates with the authorities is discredited for being part of the 'system, which he identifies with as apartheid."

Few names

Consistently, the only names of black leaders to emerge from such studies with any degree of a national following—and even then only a minority—have been Nelson Mandela, the jailed leader of the ANC, serving a life sentence on Robben Island; Chief Buthelezi; Dr. Motlana, and Bishop Desmond Tutu, the outspoken general secretary of the South African Council of Churches.

The most recent government action was in October 1977, following the death in police detention of Steve Biko, regarded as the father figure of the Black Consciousness Movement: 17 different Black Consciousness organisations were banned, along with the Johannesburg black newspaper, The World, and the white-led Christian Institute. Dozens of urban leaders, including Dr. Motlana and his entire committee of 10, and Percy Qoboza, the editor of The World, were detained.



Chief Gatsha Buthelezi, leader of Inkatha, South Africa's largest legal black political party

That action failed to destroy the movement. (a small political party, the Azanian People's Organisaiton, was rapidly formed) but it led rather to its re-emergence in the form of community organisations, deliberately concentrating on local, bread-and-butter issues in individual townships.

There is the Port Elizabeth Black Civic Organisation (PEBCO), similar organisations in other towns of the Eastern Cape, in the black townships outside Cape Town, and in Soweto, where the Committee of 10 established the Soweto Civic Association.

The movement has had mixed success, depending both on the quality of local leadership and the sensitivity of local issues. "We have been approached from other areas to come and organise a civic association," Dr. Motlana say. "But the organisation must arise out of a local need, not to be imposed on the community. Everywhere you go there are always local issues, burning issues: rentals, bus fares, housing and schools."

There have been both failures and successes, such as consumer boycotts of products from companies whose workers went on strike, bus boycotts, co-ordination of school boycotts, and rent strikes.

Behind the random pattern, however, there is a picture of growing black awareness of consumer power, boycott power, and related trade union power, as alternative courses of action for the voteless. "We want to conscientise, to politicise, to motivate people around issues that affect them." Dr. Motlana says. "Then they get to know the cause of these problems. They learn to say: 'We can't get better schools and homes because we have no political power.'"

If the black community movement has been sporadically organised, the Inkatha movement is a much more tightly run body, with a rapidly growing paid-up membershisp (claimed at more than 300,000) and more clearly defined objectives.

Few political figures arouse such passionate support of condemnation in South Africa as Chief Gatsha Buthelezi, the Chief Minister of Kwazulu Homeland, and the President of Inkatha. He is bitterly condemned by the Black Consciousness Movement for operating from the base of a government institution. But his strategy is quite clear: when, as he believes inevitable, blacks and whites in South Africa eventually come to the conference table for a national convention, he intends to have a seat at that table.

Full citizens

To that end he has steadily built up Inkatha, largely from the Zulu tribe but with some wider black support, and forged pacts with other groups like the (coloured) Labour Party and the (Indian) Reform Party to form the South African Black Alliance. He has steadfastly refused to countenance any form of independence for Kwazulu, insisting that his people are not more nor less than full citizens of South Africa.

"Anyone who says that we cannot participate in determining the future of our own children . . . . treats us as 'Kaffirs'," he said recently. "Anyone who is committed to driving us into certain corners of South Africa, and then making us foreigners in the whole common area of South Africa, treats us as 'Kaffirs'."

In another speech, he warned that any confederal solution, on the lines of Mr. P. W. Botha's constellation of states, "will first make a significant proportion of urban blacks into politicians, and then into potential revolutionaries."

Ironically, Chief Buthelezi's willingness to operate through a government institution is more in line with the thinking of the exiled ANC than with the stand of Black Consciousness. There is really a love-hate relationship between the two organisations: The ANC seems to recognise that Chief Buthelezi is a political force to be reckoned with, although it cannot condone his largely-tribal base. Chief Buthelezi, in turn, has deliberately modelled Inkatha on the ANC, which remains South Africa's longest-standing black nationalist movement: he has copied its colours and its uniforms.

Perhaps the most interesting development of the past 18 months has been the re-emergence of the ANC within South Africa on discreet occasions. Several funerals of ANC stalwarts have brought out the party colours, posters, and clearly pro-ANC speeches. The movement, which has close links with the banned South African Communist Party, is the one most feared by the South African Security Police, and has been responsible for most incidents of political violence and sabotage, such as the blowing up of oil tanks at the Sasol oil-from-coal plant.

The banning of the Black Consciousness movements almost certainly rebounded to the benefit of the exiled movements, whose clandestine operations were ready made to pick up new recruits forced to operate underground.

In spite of such arguments, the system of banning without trial prominent or outspoken black leaders—restricting their movements and allowing them to see only one person at a time, as well as stopping them attending any public meetings—continues. It has obvious results.

"Blacks are seeking alternatives to conspicuous leadership." Bishop Tutu says. "Maybe people are saying that the way forward is to be quiet."

Gqweta waits for midnight

THOZAMILE GQWETA wears one of those loose, embroidered shirts known in East Africa as a Khanga. On one side it bears the insignia of a clenched fist against the Continent of Africa. On the other side is the face of the clock, with the hands standing at five to midnight.

Aged 29, he is a typical, if unusually articulate, example of the young radical urban black leaders who have emerged with increasing frequency in the past decade from South Africa's black townships.

He is national organiser of the South African Allied Workers' Union (SAAWU), based in the port of East London, where he has recruited at least 20,000 black workers in the space of little more than a year, causing consternation both among employers and the South African security police.

"I used to work as a furniture salesman," he says, "and I was a 'super leader,' because I sold the most furniture each month. But I used to be very worried when I saw my customers' goods being repossessed. When I asked them why they couldn't pay, they said they had lost their jobs. That is what made me become a trade unionist."

He speaks in familiar neo-Marxist terms, about "the struggle of the workers," "the leadership of the working class" and its "alliance with the peasants," and the struggle against "victimisation, exploitation and oppression." At the same time he admits that, although he never attended a university, he is really a member of the black bourgeoisie himself.

Unlike many of his generation, he is committed to non-racialism, as opposed to black consciousness. Although he grew up in the same part of the country as Steve Biko, the black consciousness leader, he never knew him.

Ironically, a major reason for his non-racial commitment is his involvement in that arch white South African sport, rugby. "I am secretary of a non-racial rugby club. I could not align myself with a racial union," he says.

Last year he was detained three times by the South African and Ciskei Homeland police, for several months at a time, and charged with offences of riotous assembly and incitement. He has not been successfully prosecuted, but his house has been burned down in the township of Mdantsane.

"I tell the workers they must expect harassment and detentions," Gqweta says. "Nothing in South Africa which has been formed for the purpose of uplifting the black man has been left alone by the authorities. They have tried to suppress trade unions since 1948. But they are still there. Workers are going to organise themselves. If you suppress them, they are going to explode."

Q. P.

Botha has to satisfy a broad band of support

WHITE POLITICS
QUENTIN PEEL

THE MOOD at the last election rally in the Pretoria City Hall was electric. The hall was filled and overflowing at all the doors, and the audience howled their pleasure and stamped with approval at the lines they liked best.

The speaker was a diminutive figure, punctuating his phrases with staccato gestures, swaying slightly as he built up the emotion of his audience. He was Mr. Jaap Marais, leader of South Africa's extreme Right-wing Herstigte Nasionale Party. "We will win 100,000 votes for the preservation of the white man in South Africa," he declared, to a roar of approval.

Three days later, when the counting in South Africa's general election was done, Mr. Marais's party had failed to win any seats at the polls: but it had won almost 200,000 votes, five times its previous best performance, and proved yet again that South Africa's white electorate remains overwhelmingly conservative.

In the words of Rapport, a leading pro-Government newspaper, the result also showed that "Afrikaner unity, in the political sense of the word, exists no longer." In sharp contrast to the traditional view of monolithic Afrikanerdom, 33 per cent of Afrikaners voted for the extreme Right-wing parties, and a further 5 per cent for the liberal progressive Federal Party on the Left of the Government.

The sharp swing to the Right in the election, and the smaller swing to the Left, underlines the extent of the dilemma facing Mr. P. W. Botha, the Prime Minister, and his ruling National Party.

Handful lost

At the end of the day, he only lost a handful of seats, all to the English-speaking opposition, and he still has an overwhelming majority in Parliament, with 131 seats out of 165. But a substantial number of his own supporters now have conservative candidates of the HNP breathing down their necks, and they will be desperate to put a brake on Mr. Botha's promised steps towards racial reforms.

The National Party has less reason to worry about its losses to the Left. They were caused largely by the return of English-speaking voters to the opposition fold after the 1977 election, when they switched to backing former Prime Minister, Mr. John Vorster, while the opposition was in disarray. But it does show that Mr. Botha's attempt to present himself as a unifying figure has failed. Mr Botha's declared aim in the April election was to win his own mandate from South Africa's white voters for his talk of construction change and reform in the country's agonised race relations. He gave no details, but he promised initiatives, change, and a "total strategy" which would unite all population groups.

To conservative Afrikaners, his meaning was clear enough: he was planning concessions to the blacks. To English-speaking voters—not much less conservative, but nevertheless inclined to a more paternalistic attitude towards the black majority—his talk of reform was too vague.

The Prime Minister's closest advisers now insist that he has won his mandate and will press on with his reforms: to streamline apartheid, but not to scrap it; to devolve greater power to the private sector; and to co-ordinate his total strategy to withstand the international onslaught against apartheid.

The irony of white politics in South Africa today is that the ruling National Party is looking increasingly like General Jan Smuts's now defunct United Party, which it defeated at the polls in 1948. It has not dropped its basic apartheid policy, but Mr. Botha is talking about a vague "constellation of states" which sounds something like General Smuts's planned "race federation."

Paralysis

White control remains paramount, but Mr. Botha's support is stretched so widely across the conservative centre that he must try to be all things to all men. The Holy Writ of Afrikaner nationalist policy, pure racial separation and total white domination, has been abandoned to the far right of the HNP.

Prof. Sample Terreblanche, Professor of Economics at Stellenbosch, believes the Government has ceased to govern because it now represents so many interest groups and has to say yes to all of them. Thirty-three years of National Party rule have caused effective paralysis in the corridors of power.

Mr. Botha has so far fudged the issue of direction by never spelling out a clear strategy. But he has another problem in the party: he represents a minority base. As leader of the party in the Cape Province, in a country in which regional rivalries are remarkably bitter, he has to lead a coalition of support against the dominant, and conservative, Transvaal Province.

That is the reason, rather than any innate belief in reform, that Mr. Botha has done a deal with the more liberal Verligte wing of the party, against the conservative Verkramptes. In spite of that, the Verligtes are in a distinct minority in the National Party, as well as in the ranks of the Civil Service, so that to implement their policies they have had increasingly to bypass both institutions.

This has been done, or at least attempted, by the creation of commissions of inquiry (the Wiehahn and Riekert Commissions into labour law, the Van Der Walt Commission into homeland consolidation, and the Brand Committee of Inquiry into homeland development for example), the President's Council, (which is really a super-inquiry into the constitution), and by streamlining the Civil Service.

The last aim has been accomplished by revamping a whole string of major departments, installing where possible more Verligte civil servants as their heads, and setting up key inter-departmental committees, almost invariably including military personnel backing the Botha line.

At the same time, Mr. Botha has greatly expanded the power of his own department, bringing under its wing a string of central planning divisions (economic, physical, scientific, security and welfare).

Nevertheless, the National Party is an extremely democratic body, with well-developed lines of communication from its 500,000-strong card-carrying membership, and all-powerful provincial congresses which have the right to vet and veto all party policy.

Many Afrikaner Verligtes, both in the press and academic worlds, now subscribe to the view that the only hope of reform is for the National Party to split.

Traumatic

Yet the thought of such a split is deeply traumatic for lifelong nationalists. Professor Piet Cillie, for many years editor of Die Burger, the National Party newspaper in Cape Town, believes there is a "black heart" to Afrikaner politics which, if exposed in a split, could result in bloodshed. He warns that the division among Afrikaners in Namibia has already almost led to a civil war there.

On the other hand, many are sceptical about the ability of the Afrikaner volk to change, divided or undivided. "The Afrikaner is never going voluntarily to change," says Dr Nthato Motlana, chairman of the Soweto Civic Association "We are going to have to force them."

"You cannot transplant a Verligte heart into a white supremacist party," says Professor Kleynhans, who was himself expelled from the party in the 1950s. "I call myself a prophet of doom. I do not see any hope for whites to change their Verkrampte attitudes on colour. No political leader will be able to convince the whites they will have to prepare for the sharing of power. We are heading for a confrontation."

Q. P.

Verligtes vs Verkramptes

The Afrikaans' adjectives velrig and verkram ("enlightened" and "reactionary") were coined by Dr. Wimpie de Klerk, the editor-in-chief of Die Transvaler, the National Party newspaper in the Transvaal, and an executive member of the Afrikaner Broederbond. He used them to describe the two conflicting trends in the National Party, of which few members can be categorised entirely in one camp or the other.

The Verligtes are supposed to be those who believe in reform, such as the abolition of petty discrimination, and the streamlining of apartheid to make it more responsive to economic realities. They believe that urban blacks are there to stay. The Verkramptes are those who believe in the strict apartheid doctrine of Dr. Hendrik Verwoerd: that the only hope for survival of the Afrikaner nation lies in ruthless racial segregation, the reversal of the flow of rural blacks into the cities, and the confinement of all black political activity to the tribal homelands.

The Verligtes put great hope in the Premiership of Mr. P. W. Botha, although he is not instinctively a reformer himself. They include virtually the entire Afrikaans Press and significant numbers from the universities and the business community. The Verkramptes are strongest in the Transvaal province and in the Dutch Reformed Church, as well as the civil service. Organisations like the secretive Afrikaner Broederbond are as divided between the two camps as the ruling national party.

Boom in imports to meet domestic demands

FOREIGN TRADE

BERNARD SIMON

A CONCERTED import replacement drive, increasingly generous export incentives and efforts to process a higher proportion of exports locally have so far failed to alter the basic pattern of South Africa's foreign trade.

An upswing in the domestic economy still pushes up demand for imports at a rate which, but for the high gold price, would be alarming. On the export side, South Africa's booms tends to coincide with low growth rates in the northern hemisphere.

A combination of choice and circumstances thus prompts many exporters, particularly of manufactured goods, to abandon foreign markets in favour of meeting burgeoning local demand.

The value of South Africa's imports shot up by 47 per cent last year to R14.3bn. They are expected to rise by another 25-30 per cent in 1981.

Over four-fifths of foreign purchases consist of intermediate and capital goods. Imports of these items have been fuelled by the rapid increase in fixed investment in 1980, and have included equipment for the second and third Sasol plants, several new power stations and gold and coal mine expansions. Oil stockpiling also contributed.

Consumer goods

But the main feature of the recent surge has been a very sharp increase in purchases of consumer goods, ranging from luxury German motor cars to Swiss chocolates.

With no balance of payments worries, the authorities have appreciably relaxed import controls. For the purpose of the controls, goods are divided into three categories.

The first are those which are freely allowed into the country without a permit. They include mostly sophisticated machinery and commodities not produced locally. The bulk of imports are subject to permits allowing importers to bring in their "full reasonable requirements." But specific permits are required for a number of more sensitive items, such as petrochemicals.

The authorities have been besieged by requests for stiffer customs tariffs to protect local industry against a flood of cheap imports. Manufacturers of domestic appliances, textiles, certain types of clothing and furniture have been among the hardest hit.

The Government faces a ticklish dilemma in combating the wave of imports. Among the countries whose exports to South Africa have risen most rapidly are Taiwan and Israel, both of which are close political allies and both of which — in any case — buy a lot more from the South Africans than they sell.

Imports from Taiwan jumped from R60.1m in 1979 to R109.5m last year, while exports — including maize, coal and steel — reached R167.1m in 1980.

Non-gold exports have stagnated in the past year, mainly as a result of depressed markets in South Africa's major trading partners.

In addition, exporters' competitiveness was blunted by the appreciation of the rand, from $1.15 in early 1979 to $1.35 last January. More recently, however, the rand has fallen rapidly against the U.S. dollar and is expected to continue downwards for the rest of 1981.

Merchandise exports totalled R9.7bn in 1980, against R8.8bn the previous year. Manufacturers accounted for just over half of non-gold sales, with the remainder divided almost equally between agricultural and mining products.

Thanks partly to generous tax incentives and electricity rebates, the proportion of processed raw materials in total exports has risen rapily in the past decade. Ferro-alloy production, for example, has risen from 429,000 tonnes in 1970 to 1.4m tonnes last year.

The Government is implementing a new export incentive scheme, aimed primarily at secondary industry. Its main purpose is to compensate those sectors whose competitiveness in foreign markets is dented by the high cost of locally produced raw materials. Exporters are entitled to deduct for tax purposes 50 per cent of the customs duty protection applying to their inputs.

A wide range of other tax rebates are available, for expenses related to exporting, and shipping lines are prepared to quote special freight rates in some cases.

The direction of South Africa's foreign trade has changed markedly in recent years. In particular, the relative importance of the UK has declined.

In 1970 Britain accounted for 28 per cent of South Africa's exports and 23 per cent of its imports. By last year, the proportions had slipped to 14 per cent and 12 per cent respectively.

Part of the fall in the UK's share of exports is due to the diversion of diamond shipments to Switzerland—which, thanks also to large krugerrand sales, was South Africa's biggest export market in 1979 and the third largest last year.

Despite the overall decline in its market share, Britain's performance in some sectors has been well above average. Sales of specialised industrial machinery have almost trebled in the past four years, while exports of metal working machinery more than trebled. Britain's share of the computer and office machine market also appears to have increased.

South Africa's main trading partner—in both directions—is now the U.S., despite restrictions by the Carter administrations on sales to the military and other strategic agencies.

The U.S. accounted for 13.7 per cent of South Africa's imports and 17 per cent of its exports last year.

Imports from the U.S. consist mainly of sophisticated machinery, including mining equipment, electronics and transport equipment. South African Airways' growing fleet is largely based on Boeing aircraft. Trade in the opposite direction includes sizeable quantities of platinum, chrome, manganese and chemicals. The U.S. now accounts for over half the world market for krugerrands.

Imports from Japan have increased sharply — up more than 50 per cent last year. Japan is a major supplier for the Sasol 3 project, and of knocked-down motor vehicle kits. Imports of Japanese-made consumables have also soared.

Trade with several smaller countries has expanded rapidly, partly because of Pretoria's increasingly close political ties with countries such as Taiwan, Chile and Israel.

Fast growing

Sri Lanka is believed to be a fast-growing — though small — market. Exports to other countries in Africa topped R1bn for the first time last year (see section on relations with Africa).

According to Mrs. Ann Moore, intelligence manager of the South African foreign trade organisation, South America "is quite a growth area" for exports. An official line of credit was recently established with Uruguay.

The expansion of foreign trade, both geographically and in volume terms, has been accompanied by a significant improvement in shipping services to and from South Africa.

A fully containerised service to Europe was inaugurated in July, 1977, and a similar service to the Far East will be launched later this year.

Safmarine, the national shipping line, now runs a fleet of about 70 vessels, and South Africa is included in eight liner conferences. However, the surge in imports has attracted a growing number of non-conference operators to South African waters.

Port conditions have also improved immeasurably since the 1974-75 boom, when long queues of ships waited for berths in Durban, Cape Town and Port Elizabeth. The South African Railways have invested some R300m in modern, computerised container terminals at these harbours.

Equally important has been the construction of new harbours at Saldanba Bay and Richards Bay, each of which has as much water frontage as all the country's other ports combined.

Saldanha Bay is used mainly for iron ore exports and oil imports. Richards Bay, originally a coal terminal, is being expanded to handle a wide variety of other exports, mainly with the aim of cutting South Africa's dependence on harbour facilities at Maputo in Mozambique.

Ferro-alloys, steel, granite and rock phosphates are among the items which are likely to be routed in increasing quantities through Richards Bay.

In addition, the coal terminal is being expanded to handle 44m tons of year. A further expansion programme is likely to start soon, when the Government announces further increases in coal export allocations.

SOUTH AFRICAN TRADE
(Rm)

	Imports 1980	Imports 1979	Exports 1980	Exports 1979
U.S.	1,952.1	1,239.1	1,646.0	1,410.2
West Germany	1,860.2	1,306.4	977.8	930.7
UK	1,738.7	1,252.8	1,384.5	990.7
Japan	1,290.7	800.3	1,205.8	958.4
France	541.8	470.6	407.1	351.8
Italy	439.4	250.7	382.3	346.5
Switzerland	238.9	181.6	1,239.9	1,506.9

Source: Department of Customs and Excise, Pretoria.

Call for the Republic's isolation in a war of words

ANTI-APARTHEID CAMPAIGNS

MICHAEL HOLMAN

ON THE landing are stacked dozens of hand-lettered posters bearing the exhortations and slogans of protest: "Stop USA Collaboration with Apartheid South Africa," "Stop the Apartheid Bomb," "Free Namibia Now" and "Isolate Apartheid—Sanctions Against South Africa."

Further up the narrow stairs, above a delicatessen in central London's Charlotte Street, are the cramped offices of the biggest thorn in the side—guerrilla movements apart—of the South African Government: the Anti-Apartheid Movement. Surrounded by booklets and posters, typewriters and copying machines, coffee mugs and other assorted paraphernalia of lobbyists, Mike Terry, the Movement's, general secretary, talked about its, activities while preparing for last week's international conference on sanctions against South Africa, held in Paris under the auspices of the United Nations and the Organisation of African Unity.

Mr. Terry is unequivocal about the Movement's stance. It has long called for economic sanctions against South Africa, supported the guerrillas of Robert Mugabe and Joshua Nkomo in what is now Zimbabwe, backs the South West Africa Peoples Organisation (SWAPO) in the war in Namibia, and believes that the "armed struggle" is part of the way to overthrow the white government in Pretoria.

Boycott

The range of activities, initiated or co-ordinated by a full-time staff of only six and a budget of £80,000 a year, is formidable. The campaign is waged at schools, universities, within trade unions and co-operatives; material distributed runs from posters urging a boycott of Barclays because of the bank's links with South Africa, to carefully researched booklets on nuclear, military, investment, wages and other issues, including pressure to end sporting links with the Republic. There are particularly close links with the Labour and Liberal Parties. Bob Hughes, the Labour MP, is the movement's chairman while Joan Lestor is a vice-president, and the Liberal leader David Steel is a sponsor.

Throughout the movement's 22-year history the isolation of the Republic has been a constant theme. A call for the boycott of South African goods was launched at a public meeting in London on June 26, 1959, and the Movement was formally launched in February 1960. Three weeks later South African police fired on an unarmed crowd, killing, and the name of Sharpeville became synonymous with repression. The event left a lasting impression and gave impetus to the Movement's demands for isolation.

Anti-apartheid has made significant moves on the arms front.

Under the Labour Government of Prime Minister Harold Wilson in 1964, Britain introduced a qualified arms embargo, sustained—despite wavering—under the Conservatives, and in November 1977 the UN imposed a mandatory arms embargo. The Movement was also a factor in the ending, in 1975, of the Simonstown Agreement whereby the Royal Navy used facilities at the South African naval base.

The role of Anti-Apartheid, which lobbied intensively throughout this period, is of course difficult to assess but undoubtedly in Britain, at least, they were a major factor. Efforts are now concentrated on raising international concern about South Africa's nuclear capacity and in 1979 the Oslo based World Campaign Against Military and Nuclear Collaboration with South Africa was launched with Abdul Minty, one of the Movement's most experienced officials, as its director.

The impact of these moves are limited, given South Africa's home armaments industry and ability to evade the embargo. Perhaps though, the most important area of Anti-Apartheid operations now is their campaign for economic sanctions against South Africa.

This campaign is on several levels. The consumer boycott campaign has been relaunched with some success thanks to the strategy of enlisting the support of Labour-controlled local councils woh find alternative sources for their own purchases. The campaign against British companies with interests in the Republic continues—Barclays has been picketed and students urged to withdraw their accounts in response to the bank's decision to support the rights issue to finance the expansion of Sasol's oil-from-coal production.

A seminar in November, 1979, organised in association with the United Nations Special Committee against Apartheid, investigated the role of Transnational Corporations in South Africa. Much of the work, and several of the papers, for last week's Paris meeting on sanctions was done by the Movement's officials and supporters.

At the same time the Movement is increasing its contacts with Britain's trade union movements, though with mixed results. Some 35 national trade unions are affiliated to Anti-Apartheid and the links with the Trade Union Congress are close, but the point at which a British union would, for example, refuse to handle goods to or from South Africa seems a long way off. As Mike Terry pointed out, with 2.5m unemployed in Britain the unions have more pressing issues to handle.

Scandal

South Africa, of course, does not sit back in the face of this hostile lobby. Its embassies around the world present a very different picture of the Republic, seeking increased trade links and pointing to reforms in the political system. However, the Government's public relations campaign has yet to recover from what became known as the "information scandal," the repercussions of which led to the resignation of the then Prime Minister, Mr. John Vorster. The affair surfaced in 1978 when it was dis- the Information Department covered that funds voted to had been improperly used, funding the pro-Government "Citizen" daily newspaper and a host of other projects at home and abroad, some clandestine, designed to improve South Africa's image.

Organisations such as the UK-South Africa trade association are more effective in promoting links. Likewise, institutions such as the South Africa Foundation, which is an independant organisation, financed by the private sector and with offices in London and Paris. It encourages investment in the Republic and although occasionally critical of Government generally supports the status quo. In addition, there are a host of pro-South Africa groups and associations in all the major European countries and close links with chambers of commerce in Europe and North America.

In both camps, however, there is an acknowledgement that they can at best play a limited role. International relations with South Africa are in general determined by issues over which lobbyists have little control. The critical issue of sanctions, for example, has to take into account the interdependence of at least nine black southern African States and the South African economy. There is also the continuing and inconclusive debate about the importance to western economies of South African minerals. Finally, changes in foreign governments bring encouragement to both sides, whether its Ronald Reagan defeating Jimmy Carter in the U.S. or Francois Mitterand's victory in the French presidential election.

Emphasis on the politics of trade

RELATIONS WITH AFRICA

MICHAEL HOLMAN

WHEN black Africa, almost without exception, voted for mandatory economic sanctions against South Africa earlier this year, in an effort to increase pressure over the Namibia issue, a disconcerting trade statistic was lurking in the background.

The Republic's exports to Africa rose by 66.6 per cent in 1980, from R734m the preceding year to R1,102m. For officials in Pretoria the politics of trade often reveal more about regional realities than a succession of hostile resolutions passed by the world body.

To nobody's surprise the move for sanctions was vetoed at the Security Council. Had it not been, at least eight southern and central Africa states would have sought exemption from the embargo or faced the prospect of severe, perhaps catastrophic, disruption of their own economies.

Evidence of this flourishing trade—worth 10 per cent of South Africa's total exports and with a disproportionate strategic significance—is readily available, although Pretoria refuses to provide a country-by-country breakdown.

A glance at airline timetables shows passenger and cargo flights from Jan Smuts airport, Johannesburg, to Botswana, Kenya, Lesotho, Mozambique, Malawi, Mauritius, Swaziland, Zaire, Zambia and Zimbabwe. Road and rail services penetrate hundreds of miles north. From one Johannesburg depot between 10 and 20 fifteen-ton trucks set out each week on the long haul to Zaire's copper and cobalt province of Shaba carrying a range of consumer goods, while the state-owned Gecamines take in 150,000 tonnes of maize a year by rail as well as mining equipment and spares.

The trading partners fall into three broad categories: near-complete dependence on the South African link: those countries which may supplement their food needs import certain equipment and spares as well as consumer goods, and use South African railways and ports for a substantial portion of their exports; and the rest who find South Africa a cheap but not essential source of supplies.

Botswana, with 80 per cent of her imports coming from the Republic, and Lesotho and Swaziland with 90 per cent — all three are part of the South African Customs Union — fall into the first category, and also wholly depend on South African ports for their trade outlets. On most occasions this dependence is reflected by cautious and pragmatic relations with Pretoria and Botswana, for example, abstained in the UN sanctions vote.

With the exception of Malawi, the countries in the second category feel bound to show such restraint. Zimbabwe, though self sufficient in maize, nevertheless uses the southern ports for over 90 per cent of her traffic while the Republic is an essential trading partner.

Largest supplier

Zambia sends up to 60 per cent of her vital copper exports through South African ports and imports mining equipment and spares and consumer goods making Pretoria the largest supplier after Britain. Under President Hastings Banda, Malawi maintains close links, including a diplomatic mission, with the source of nearly 40 per cent of her imports. In the case of Zaire, South Africa is second only to Belgium as a trading partner and around half Shaba's copper production is shipped through East London.

Members of the third category include Kenya, Sudan, and several central and west African states including Nigeria, according to Johannesburg shippers which, knowingly or otherwise imports South African goods, suitably packaged for the African market, through intermediaries in Europe.

Details of this trade, however, are hard to come by. There is an understandable reluctance on the part of South African traders to flaunt the connection for fear that it might be broken.

It is against this background that white and black Africa have set about establishing regional alliances designed by the former to reinforce and extend the links and intended by the latter to reduce, and eventually end the dependence on Pretoria.

South Africa has moved from essentially unrealistic hopes of political detente with black Africa, expressed by Mr. John Vorster, the former Prime Minister in 1974, to the so-called "constellation of states" with a rather greater economic emphasis. The strategy is based on the belief that the combination of trade, transport and a South African funded regional development bank can lay the foundation for a community of interests which will at least win the neutrality of hitherto hostile neighbours.

Tempted

Yet it is doubtful whether Pretoria itself believes that the group can extend beyond the three nominally independent "homeland" states of Transkei, Venda and Bophutotswana. Even Lesotho, impoverished and encircled by the Republic has so far refused to take part, though it could possibly be tempted. Instead the nine black southern African states—Botswana, Lesotho, Swaziland, Mozambique, Malawi, Zimbabwe, Zambia, Angola and Tanzania —have pressed ahead with an alternative grouping. It was formally launched in the Zambian capital, Lusaka, in April 1980 and in his opening address the late Sir Seretse Khama, president of Botswana, described what has become termed the South Africa Development Co-ordination Conference (SADCC) as the start of "a new type of struggle for liberation — economic liberation."

The principle objectives, he declared, were to reduce dependence on South Africa and integrate the economies of the participating states. Delegates acknowledged that if this is to be achieved the group's transport network required massive investment and this was the main subject at a donor's conference held in Maputo, Mozambique, last November.

It met with mixed success. Potential donors endorsed the principle but little new aid was forthcoming for the essential rehabilitation of Mozambique ports and the railways serving them. Without the estimated £350m such a programme requires there is no prospect of viable alternative routes for the SADCC members.

Nor can the group, whose economies almost without exception are severely depressed, find an alternative source of supplies to South Africa. The Republic's maize exports to Africa in 1980 were at least 600,000 tonnes and the cost of transport from Europe or North America would make such purchases prohibitively expensive. Thus while SADCC may in the long term find the resources it needs, for the foreseeable future the trade and transport relationship with South Africa is unlikely to change, and Pretoria is well aware of this.

Meanwhile the transport system within the SADCC group faces serious problems. The Benguela railway to the Angolan port of Lobito, which once carried copper from Zaire and Zambia, has been closed to through traffic since 1975 because of anti-Government guerrillas. To the north, the Tanzania-Zambia railway (Tazara) remains inefficient, as does the outlet port of Dar-es-Salaam. Zambia, Zaire, Zimbabwe and Mozambique are short of locomotives and rolling stock and at one stage South Africa was leasing 78 locomotives to its neighbours.

Such facilities are not provided simply to sustain trade. They provide a weapon which South Africa uses. Thus, for example, the northern states discover that some locomotives are withdrawn because they are needed internally; north-bound traffic is suspended because of a pile-up of wagons in the country concerned. Pretoria denies political motives but the incidents can often be linked to political tensions and are seen in the African states themselves as deliberate reminders of the potential for damage.

Sometimes the warnings are blunter. In January, South African units attacked offices of the African National Congress in a Maputo suburb, and relations with Zimbabwe appear to be deteriorating, marked by sharp verbal exchanges and South African threats to act should Zimbabwe allow the ANC other than diplomatic facilities.

More serious is the speculation about South Africa's destabilising role in Mozambique. Few observers have any doubt that the Mozambique Resistance Movement, responsible for sabotage of the Cabora Bassa powerlines which run from the dam to South Africa, are supplied by Pretoria. The loss of power is little more than a nuisance for South Africa, but it costs President Samora Machel's government precious foreign exchange earnings.

Debilitating

It may well be that South Africa is content to maintain contacts (which include 40,000 Mozambican workers in the gold mines) while encouraging a debilitating low-scale campaign by the MRM which could be stepped up should the Republic believe it might lead to the removal of President Machel and his replacement by a more conciliatory leader.

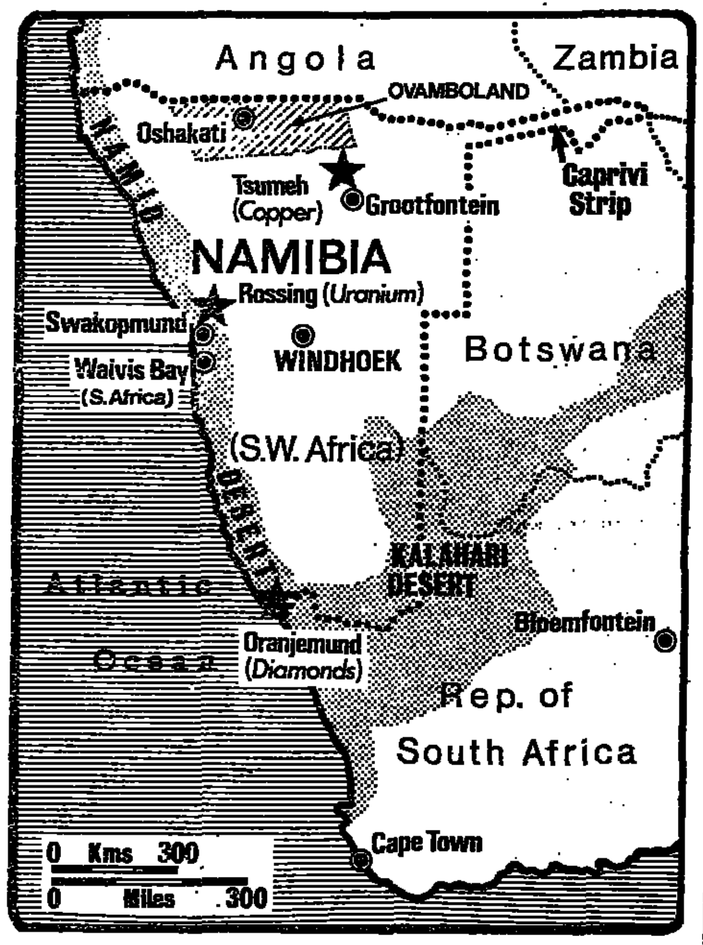
Similarly, although South Africa denies it, no one doubts that it is backing Jonas Savimbi's Unita guerrillas in southern Angola. The South African Defence Force has even admitted the existence of the Portuguese-speaking Buffalo Battalion based in the remote Caprivi Strip, which appears to operate almost entirely within Angola in support of Unita. Unita's campaign against the Angolan government is obviously in South Africa's interests because it makes the operations of Swapo, whose guerrillas fight from bases in Angola against the SADF in Namibia, more difficult.

However, Pretoria's stance towards black Africa is determined ultimately by its trade weapon, backed by the support of Africa's most powerful army.

No let-up likely in a war far from home

NAMIBIA

QUENTIN PEEL



IT IS AN ABIDING IRONY that one of the most fiercely anti-colonial peoples of Africa, the Afrikaners, who fought bitterly to resist the might of the British Empire, should end up as one of the last occupying powers in Africa.

That is, effectively, the position of the South African Government in neighbouring Namibia (South West Africa).

The problem of Namibia, given to South Africa to govern under a mandate from the League of Nations after the First World War, has become so intractable as to dominate all other questions in South Africa's foreign policy.

For the last decade, the powerful South African Defence Force has been tied down fighting an increasingly expensive and, although sporadic, probably unwinnable war against guerrillas of the South West Africa People's Organisation (SWAPO).

What is classified by the United Nations as South Africa's "illegal occupation" of the territory—since the UN formally terminated the League of Nations mandate — has become the basis for the whole international campaign for economic sanctions to be imposed on the Republic.

In South Africa itself, there is growing questioning of the value of fighting a war so far from home.

Indeed, on the face of it, there appears to be little to persuade the Pretoria Government to stay in Namibia, and much to suggest it should press ahead as swiftly as possible with independence.

Even on the economic front the balance of income and expenditure is almost certainly (no figures are published) in the red. Namibia is rich in minerals—especially diamonds, uranium and copper—but the income to South Africa from those sources, as well as from the earnings of South African businesses and financial institutions in the territory, is almost certainly outweighed now by the cost of the war, and the cost of building an infrastructure of roads, power and water in such a vast territory.

Independence

Yet South Africa is apparently unwilling to pack up and go. The South African Prime Minister, Mr. P. W. Botha, insists that he does not stand in the way of independence, but it is his Government which is currently stalling on the UN plan for a settlement of the war.

In reality, Mr. Botha is not prepared to allow Namibia to become independent on any terms but his own. And those terms would seek to exclude SWAPO from power, although it is regarded by the UN General Assembly as the "sole authentic representative" of the Namibian people.

The South African Government's perception of the position in Namibia differs radically from that of the international community, including most Western countries, on two scores.

In international terms, it perceives SWAPO, not as being a legitimate nationalist movement fighting for the liberation of their country, but as the spearhead of the international Communist onslaught against South Africa itself, as being no more than a puppet of the Soviet Union.

In domestic terms, it is aware of dire repercussions which might flow from a withdrawal and a SWAPO victory in Namibia.

In a remarkable recent interview, both perceptions were clearly spelt out by General Magnus Malan, the South African Minister of Defence, and Mr. Pik Botha, the Foreign Minister, in joint answers to questions put by Die Transvaler, a leading pro-Government newspaper.

The basic—and surprising—question was: "Why must South Africa's boys die for a territory, of which South Africa does not claim a single inch?"

The ministers answered: "The presence of the South African Defence Force (in South West Africa) is not only to the advantage of the people of SWA, but also serves South Africa's security and material interests. The struggle in SWA is a revolutionary one which is an integrated part of the onslaught against South Africa."

There is little doubt that the perception of the domestic consequences—in the Republic itself—of withdrawal from Namibia is as important a factor as any in delaying the process.

On the one hand, there is a fear that a SWAPO victory at the polls, always a possibility, if not a probability, would provide an enormous boost to the confidence of black radicals in South Africa. Government analysts point to the upsurge of radicalism, which culminated in the Soweto riots of 1976, as a direct consequence of the defeat of Portugal in Angola and Mozambique.

On the other hand, the internal politics of Namibia among the 75,000 Afrikaners there—75 per cent of the white population—reflect the same divisions Mr. P. W. Botha is trying to deal with in his own National Party. It is a struggle between the progressive and conservative elements of what used to be the Namibian wing of the National Party, and its outcome could decide the same result in South Africa.

In Namibia, Mr. Botha has consistently backed the white faction led by Mr. Dirk Mudge, who broke away from the National Party in frustration at the cautious pace of the majority group, led by Mr. Abraham du Plessis, a former South African Cabinet Minister.

Mr. Mudge is now chairman of the Democratic Turnhalle Alliance (DTA), which is the South African Government's main hope of an electoral opponent to SWAPO.

Meanwhile, the South African military high command seems to have decided to dig in its heels. By taking the war into Angola, and striking regularly at SWAPO bases there, they have inflicted heavy casualties on the guerrillas.

According to the South African figures—which, obviously, must be treated with caution—almost 1,500 guerrillas were killed last year, against 72 members of the SADF.

Precarious

On the economic front, there is a precarious balance between prosperity and economic crisis, reflecting the debilitating effect of political uncertainty. South Africa has committed itself to heavy budget spending on behalf of the DTA which controls the ruling Ministers Council. Estimates of expenditure run as high as R700m, 34 per cent up on 1980, and the budget deficit could be 50 per cent more than last year's R187.4m.

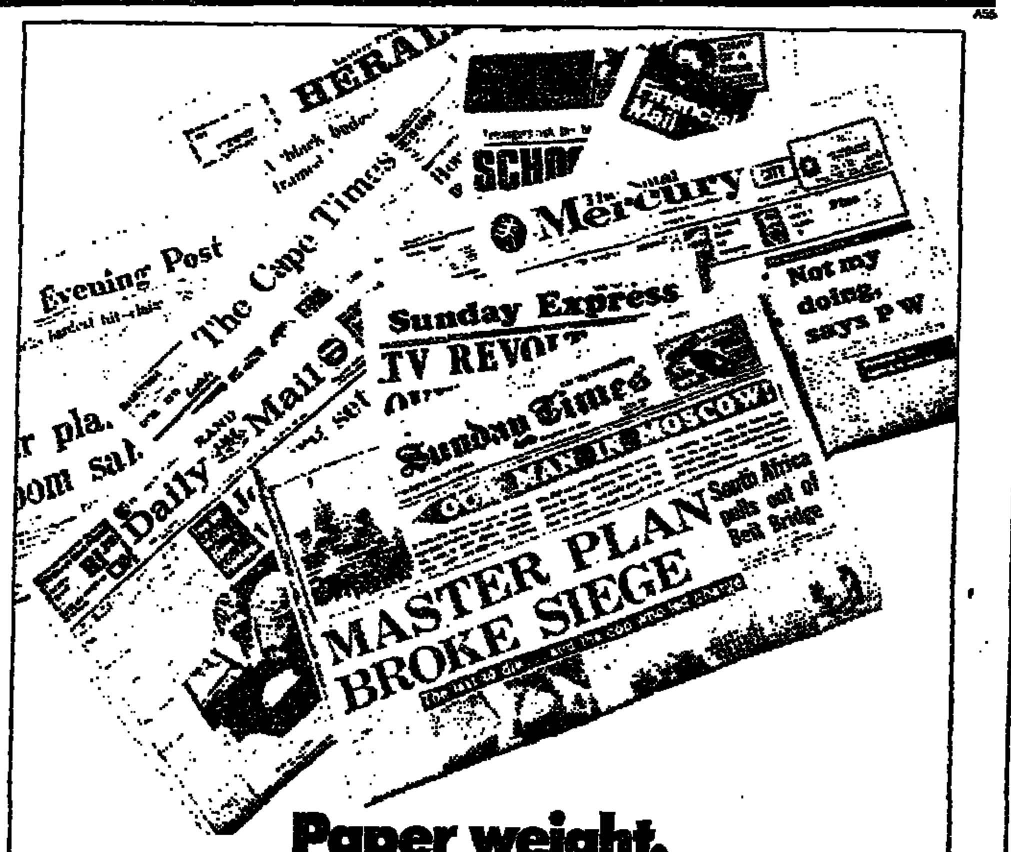
The interim Government has taken responsibility for security, including the police and the territorial defence force, and also plans to boost the budgets of the black tribal Governments in the hope of undermining SWAPO's support.

The South African Government is now set on devolving the maximum power on the "internal government" in Namibia, short of outright independence in defiance of the international community — which insists on the inclusion of Swapo.

Such devolution is intended both to bolster the DTA's image, and to distance the Namibian problem from internal South African politics. But it is a slow process.

Meanwhile, the international pressures for a settlement, in spite of the rhetoric, are not perceived in Pretoria to be that immediate. Sanctions are out, thanks both to the Western veto and the inability of Southern African states to implement them.

Mr. Botha's conclusion must be that there is no need to rush into an internationally-acceptable settlement in Namibia — with potentially disastrous domestic consequences — as long as the alternative is not too ghastly to contemplate.



A pioneer of synthetic fuel making

SASOL PROJECT

QUENTIN PEEL AND JIM JONES

WHEN SABOTEURS blew up the fuel storage tanks at South Africa's Sasol oil-from-coal plant last year, they did more than destroy millions of gallons of valuable fuel. They struck a major propaganda blow at the country's most successful demonstration of its strategic self sufficiency and determination to survive international isolation.

Sasol is an unlikely success story. The original plant at Sasolburg, south of Johannesburg, where the sabotage took place, has always been a modest and relatively insignificant experiment in synthetic fuel production. Two things have transformed the operation into a major contributor to international technology: OPEC oil price increases, and the international campaign for an oil boycott of South Africa.

Those two factors, combined with South Africa's wealth of cheap coal, persuaded the South African Government in 1973 to undertake a huge expansion of the Sasol operation, in the shape of Sasol 2 at Secunda, in the maize fields of the south-east Transvaal. Then in 1979 it was decided to build a twin plant—Sasol 3. The result is that South Africa has become the pioneer of large-scale commercial synthetic fuel production in the world; and Sasol, once a state corporation, is now one of the country's most sought-after and heavily-traded shares.

Approval

The final seal of approval for Sasol was when the corporation—officially the South African Coal, Oil and Gas Corporation—went public in October 1979 with a R525m rights issue.

The bulk was subscribed for twice over by financial institutions. But the 17.5m shares offered to the ordinary public attracted applications, many from foreign investors, for 548m shares, worth more than R1bn.

In spite of the massive expansion, and a great deal of ill informed comment, Sasol falls a long way short of making South Africa immune to oil embargoes.

The official claim, by Mr. Chris Heunis, the then Minister of Economic Affairs who announced the decision to redouble the Sasol 2 plant, was that the three plants would provide 47 per cent of South Africa's 1978 level of liquid fuel consumption in 1986, using some 32m tons of coal a year in the process.

Sasol 1, built in 1955, produces some 4,250 barrels a day (b/d) of crude oil equivalent from its coal gasification process. Sasols 2 and 3 have been designed to produce as high a proportion of transport fuels as possible. Estimates of their combined output range from 76,000 b/d to more than 100,000 b/d. In the meantime, South Africa's total oil imports have risen from 320,000 b/d to more than 350,000.

Construction of Sasol 2 started in 1975 and it was commissioned early last year within its originally estimated R2.5bn capital cost. The management contract went to Fluor, the U.S. construction company. Full capacity operations should be reached next year.

Fluor will also manage Sasol 3 which is alongside Sasol 2 and will be a carbon copy of that plant. Its cost is estimated at R3.3bn. Commissioning is due in 1982 and full production is expected to be reached in 1986.

Just as important as oil production is the chemicals industry spin-off. Surrounding Sasol One and drawing on its output of petro-chemical feedstocks such as propylene, ethylene and styrene are AECI's Midland facility; Coalplex, which is owned by AECI and Sentrachem; Karbochem, which is owned by Sentrachem; and Safripol, which is a joint venture between Sentrachem and Hoechst.

Sasol's detractors have based their criticism on process technology. They argue that the German-developed coal gasification route used by Sasol is inefficient, and that better efficiencies are possible through direct liquefaction of coal. Theoretically that may be correct, though as the deputy general manager in charge of technology, Mr. Jan Hoogendoorn, points out, liquefaction requires high-quality coal. Sasol's process can operate on high ash, lean coals available in South Africa.

More to the point, oil-from-coal production by liquefaction has yet to be proved on a commercial scale. And though its efficiencies may well be higher, the speed with which a plant based on Sasol's proven technology can be erected, gives it the edge on commercial application of less certain processes.

Underlining that is the fact that Sasol and Fluor are licensing the technology in the U.S. and Australia. Sasol's economic viability depends, however, on the OPEC oil-related prices which its products will be sold at. So South Africa's chemical producers and motorists are not about to enter an era of cheap products.

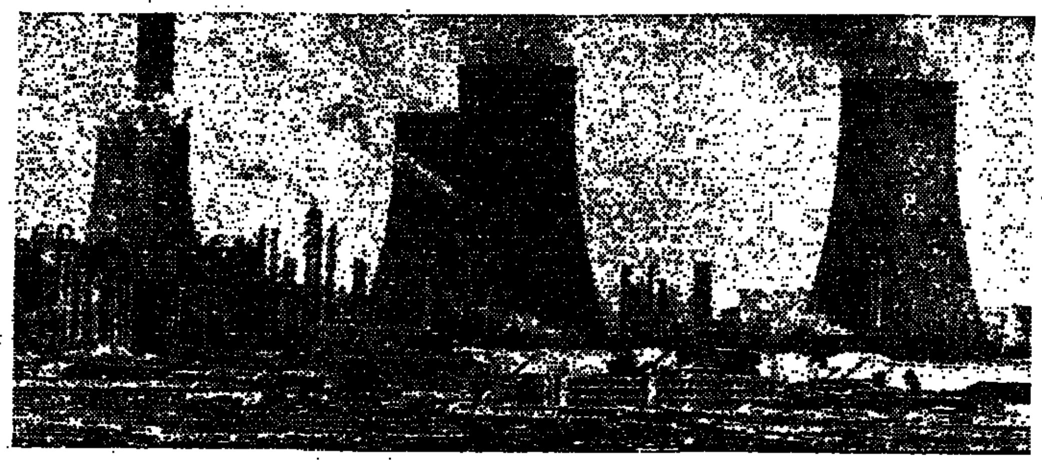
Consolidation

Nor, according to Sasol's management, are further plants likely to be built for the next few years. Sasols 2 and 3 have strained the company's availability of skilled labour, and South Africa's capital resources.

What is now needed is a period of consolidation to train sufficient qualified staff.

Rather than a Sasol 4, the next most likely step in South Africa's drive for independence of imported oil is the mass production of methanol from coal.

AECI, the country's major chemicals group, is undertaking a major study with Shell Oil into the viability of such a project, and how the methanol would be used as a fuel. Sentrachem, the other major chemicals group, has hitherto concentrated on production of ethanol.



The Sasol 2 plant at Secunda in south-east Transvaal

Facts kept a closely guarded secret

OIL SUPPLIES

JOHN STEWART

ANYTHING TO do with oil in South Africa is shrouded in secrecy, whether it is oil supplies, transportation, exploration, exports or even synthetic fuel production.

The draconian provisions of oil secrecy legislation — a response to international threats of embargoes—have made South Africans distinctly lacking in inquisitiveness on the subject.

Official ambivalence tends to confuse a lot of people. Oil is at once a source of national pride—in projects like Sasol, methanol projects financed by the private sector and in the offshore oil search which has yielded two moderate offshore finds in 15 years—and of a sense of profound menace should supplies be effectively blocked before alternative strategies can be fully implemented.

On the one hand, South African—and overseas—investors are invited to take up to 50 per cent in the equity of Sasol and the full range of its activities, including crude oil refining. On the other, legislative measures such as the Petroleum Products Act and the National Key Points Security Act contain dire penalty provisions for individuals and newspapers who contravene their secrecy provisions.

How vulnerable is South Africa? The short answer is probably: less than most developing countries, and growing less so as alternatives to imported energy develop.

According to information released by the government in 1979, Sasol's three synthetic fuel production centres will supply 47 per cent of the country's liquid fuel requirement as 1978 levels of consumption when (Sasol 3) comes on-stream in 1985/86.

No reliable information exists on current imports of crude oil. Between 1974, when domestic consumption of petroleum products was about 17m tonnes — about 345,000 barrels a day — and 1979 there was no growth in petrol consumption, according to Government statements. During that period diesel consumption rose by about 25 per cent, which must have resulted in some increase in crude imports, in spite of the refineries increasing the diesel-petrol ratio in their output.

Imbalance in the pattern of demand for a given barrel of oil was caused by a combination of high pump prices (R2.43m for a gallon of 93 octane petrol), a 90 km/h speed limit and a 66-hour trading week for filling stations.

As a result, crude oil refineries experienced periods of heavy over-production of petrol which was exported.

But petrol consumption has been rising at 4 per cent a year since the end of 1979—and it could be rising even faster, reflecting buoyant car sales, higher disposal incomes and the easing of highway speed limits to 100 kph.

The current level of crude oil imports could well be in excess of 350,000 barrels a day, including volumes refined for re-export, to Zimbabwe, the BLS and countries and Nambia, but does not take into account the possibility that the stock-piling programme is continuing.

The country's four crude oil refineries have a total capacity of 475,000 barrels per day with a current utilisation of about 70 per cent for which they doubtless are grateful. Less than a year ago utilisation barely exceeded 55 per cent, because of a combination of a catch-as-catch-can supply situation and cautious consumption controls managed by the Government.

The long-term outlook for the coastal refineries owned and operated by Shell-BP, Mobil and Caltex—is somewhat uncertain, in view of Sasol's rapidly increasing synthetic fuel output.

If Government strategy is to aim for self-sufficiency in liquid fuels, the outlook for crude oil refiners looks bleak. Even without the construction of more Sasol plants, coal liquefaction and methanol projects announced by three chemical and mining consortia, including Caltex and Shell, could take the growth out of the local automative fuels market for many years to come.

Overseas crude purchases are co-ordinated by a committee comprising bureaucrats of the Department of Mineral and Energy Affairs, representatives of Sasol, and the oil majors. Oilmen say it amounts to a subtle form of nationalisation, but if there have been complaints about the arrangement they have yet to come into the open.

On the other hand, it may not be entirely unrewarding to be locked into the "total strategy."

Indeed, several oil companies have been awarded lucrative coal export quotas by the Government, much to the chagrin of the traditional coal mining companies, apparently as a reward for their loyalty.

Oil procurement continues to be relatively untroubled, in spite of the occasional international furore when details slip out—as in the saga of the tanker Salem, which offloaded in Durban and was then scuttled off West Africa—or the revelations of anti-apartheid groups like the Shipping Research Bureau of Amsterdam.

Meanwhile, hopes have been boosted that the domestic oil search, concentrated on the continental shelf of the southern and western Cape coast, may be about to deliver substantial finds.

So far R274.3m has been spent on the search—including R90m by international exploration groups. The most promising show was struck in December last year with a hole that tested at 1.6m cubic metres of gas and 1,200 barrels of light crude a day.

Output expected to double in 10 years

COAL

JIM JONES

A FEW years ago, a visiting American coal man, more noted for his hyperbole than his candour, described South Africa's coal reserves as no more than carbon-contaminated real estate. He is probably laughing on the other side of his face now. That piece of real estate, in spite of its drawbacks, is pushing the country into the ranks of net energy exporters, and will soon be second only to gold as a foreign exchange earner.

It is forming the basis for a fast growing chemicals industry, is the base for some 60 per cent of the African continent's electricity generation and is creating an increasing volume of work for the country's construction and engineering sectors.

On presently disclosed plans, the coal industry is set to spend about R2bn in 1980 terms during the current decade. And, even without allowing for price increases, by the mid-1980s annual export earnings should be in the region of R1.5bn. The growth of exports and advances in the oil-from-coal field tend to attract most comment but there is a more prosaic and, perhaps, more important factor in the country's coal scene and power generation.

In 1979, the last year for which figures are available, the state-owned electricity utility burned 43.3m tonnes of coal to generate 75.6bn kilowatt hours at an average cost of 1.876 cents per kWh. That puts Escom among the world's lowest cost electrical producers.

According to Escom's chairman Jan Smith, demand is projected to double over the next 10 years. Most of that increase will be provided by thermal power stations.

Underlined

Escom itself has no coal, but relies for its supplies on captive collieries owned and managed by the major private sector coal companies, Amcoal, Trans-Natal, Witbank Collieries and Clydesdale. Its importance to these companies is underlined by the fact that in 1980 Escom bought 21.3m tonnes from Amcoal—equivalent to 63 per cent of the company's 33.7m tonnes total production. And in the year to June 30, 1980, it bought the same percentage of Trans-Natal's 25m tonne total production.

In 1979, Escom paid an average of R6.96 per tonne of coal, which, on the face of things, appears to be highly unattractive to the mining company. A new colliery currently costs anything between R40 and R50 per annual tonne of capacity. That, however, masks the fact that to ensure supplies Escom has to provide front-end financing for new collieries to serve its power stations. And coal purchase prices are pitched to provide the colliery company with a pre-tax return on capital of about 25 per cent.

And Escom is important to the overall coal picture in another way. Compared with coals available elsewhere in the world, South Africa's are generally of poor thermal quality and have the added disadvantage of relatively high ash contents.

Escom's plant is geared to cope with these problems, but export buyers demand higher grade and cleaner coal. With this in mind, there is a developing trend towards up-grading coal for export and selling the poorer residues to Escom.

In 1976 the Petrick Commission's report on South Africa's coal reserves estimated that about 46.5 per cent had an ash content of between 30 per cent and 35 per cent. This grade of coal is currently not exploited.

Of the rest, only 1.5 per cent of reserves had an ash content between 10 per cent and 15 per cent; 10.4 per cent of reserves had an ash content of between 15 per cent and 20 per cent; 18.6 per cent of reserves had an ash content of between 20 per cent and 25 per cent; and 23 per cent of reserves had an ash content of between 25 and 30 per cent.

Escom's next generation of thermal power stations is being designed to burn the higher ash coals, which will help allay fears that greater exports of better quality coals poses a threat to local supplies.

Plans for creaming off higher grade coal fractions for export and burning the lower grade residues in thermal power stations are fine in theory but they have been heavily criticised by some sectors of the coal industry. The argument is that additional export tonnages thus made available will be relatively small, that the country's export infrastructure should be developed in quantum amounts and cannot cope with relatively small annual increments and that exports should be made from specially developed collieries.

South Africa's ports and rail systems handled coal exports of 28.5m tonnes last year — 26m tonnes through the custom-built harbour at Richards Bay on the Natal east coast and 2.5m tonnes through Durban. South Africa was the world's third largest exporter last year after the U.S. and Australia.

Durban's coal handling facilities cannot be increased by more than a nominal amount and whatever growth in exports takes place will have to be through Richards Bay.

Increasing Richards Bay's capacity has been advanced to 1984 and is scheduled to cost R270m in 1980 terms for additions to the harbour and coal loading terminal itself. A further R400m-odd is to be spent on expanding and upgrading the railway and equipment between the Witbank Coalfield and Richards Bay.

Export quotas have been fixed for some years, and when total exports through Richards Bay reach 44m tonnes in 1986, they will be shared as follows:

Transvaal Coal Owners Association (TCOA)	10.0
Anglo American	6.0
General Mining	6.0
BP Coal	5.5
Shell Coal	5.5
Total Oil	2.5
Anthracite Producers Association	2.5
Rand Mines	2.5
Natal Associated Collieries	2.0
Kwa Ngoma	1.5

Effectively, it means that there is little or no room for other mining companies to participate in exports. Nor are the companies with existing quotas likely to let others in without a fight. They either provided funds or guaranteed loans to finance the export facilities and railway at a time when export profitability was poor and they are in no mood to let in others who they claim want to ride the crest of an export boom.

Another argument is that other producers have relatively small tonnages which could be exported and of coal with highly variable characteristics. Providing facilities, particularly storage areas and loading equipment to serve relatively small ships would be prohibitively expensive. Richards Bay is designed for bulk carriers and, once its expansion is complete, emphasis will be on the rapid loading of bulk carriers of up to 140,000 dwt.

Whether or not coal exports will be increased beyond planned quotas is another matter, export quotas have been allocated taking into account estimates of the country's total reserves and the fact that particular types of coal—particularly coking coal—are in limited supply.

The present estimate of recoverable coal reserves is about 61bn tonnes, though this figure is likely to be increased when a Government-sponsored examination of the matter reports within the next few weeks.

Industry spokesmen such as Dick Bird, managing director of the TCOA, reckon that exports could be increased to an annual 65m tonnes without straining resources. Others, such as Amcoal's chairman Graham Boustred, believe that rather than increase exports the 30-year period for which present quotas run should be increased. Fears over continued availability of specific coal types has led the state-owned steel maker Iscor to examine coking coal deposits in the Kruger Park Nature Reserve, much to the discomfiture of conservationists.

Of growing importance in the country's coal mix is the growth of chemicals industries based on coal as a feed stock. This has already resulted in a cluster of chemical plants around Sasol One, but various of the coal majors have plans of their own on the drawing boards.

Amcoal, the country's largest coal producer which has reserves in excess of 10bn tonnes, is examining with Shell and AECI the possibility of establishing methanol-from-coal plants which could produce liquid fuels to be burned in diesel engines. Trans-Natal and Sentrachem are looking at similar proposals.

Newsworthy though these projects might be, they are unlikely to be in operation at least until the latter part of the 1980s. And if they are to be economically viable producers of diesel substitutes or additives, considerable Government assistance is likely to be needed—probably in the form of guaranteed prices.

COAL

	1978	1979	1980
Production (m tonnes)	90.4	103.8	112.7
Sales:			
Domestic (m tonnes)	70.8	74.9	79.5
Export (m tonnes)	15.4	23.3	29.0
Sales revenue:			
Domestic (Rm)	549.4	624.3	775.6
Export† (Rm)	325.1	509.1	626.5

† fob value.

Denials of Soviet dealings met with disbelief

PLATINUM AND DIAMONDS

JIM JONES

WHEN Gordon Waddell was spotted with Soviet trade officials in Moscow last year, it was scarcely surprising that Russian and South African denials of discussions on platinum, diamonds and gold were treated by almost total disbelief.

Waddell is the chairman of the world's largest individual platinum producer, Rustenburg, he is an executive director of Anglo American, the world's largest gold producer, and he is an ex-son in law of Harry Oppenheimer, the chairman of De Beers, the diamond empire.

Link that with the almost obsessive secrecy surrounding meaningful data on South Africa's platinum production and on the marketing of rough (unpolished) gem diamonds, and it is unlikely that disbelief will be easily suspended.

South Africa's two largest platinum producers, Rustenburg and Impala, reveal nothing on production, mining tonnages, costs or turnover, while the De Beers-controlled Central Selling Organisation is equally silent about its affairs.

Rustenburg is jointly owned by Johannesburg Consolidated Investments (JCI) and Anglo American. Impala is owned by Union Corporation.

There are some chinks in the armour. Lonhro-controlled Western Platinum, whose output of platinum group metals is probably less than 5 per cent of that of the two majors combined, milled 1.31m tonnes of ore in the year to September 30, 1980 and recovered 2,580 kg of platinum and 1,158 kg of palladium. The cost was a lowly R15.55 per tonne milled and, taking into account copper, nickel and cobalt, Western earned a working profit of R32.3m on sales of R56.7m.

Small free market

If those figures can be extrapolated for Rustenburg, which has an annual platinum production of about 1.2m oz (37.300 kg) and Impala, which produces about 1 million oz (31,100 kg), it is hardly surprising that the two majors are secretive about their operations.

Unlike gold, platinum has only a small free market. Most of the world's demand is supplied by South Africa and the Soviet Union, with the South Africans mainly concerned with contractual sales to large customers.

Rustenburg and Impala, which are never long out of line, quote a price of $475 an ounce for their platinum. And rather than chasing the price up in line with that of metal traded on the free market, the two majors prefer the security of stable markets at known prices.

Both producers, particularly Rustenburg, have in the past suffered badly from market volatility. So while both are engaged in expansion projects, their stated policy is that production increases will only be undertaken if they are tied to long-term sales contracts.

Whether stability is possible is another matter. Last year the important Japanese jewellery market slumped as free-market platinum prices, to which jewellery sales are linked, soared to over $1,000 an ounce on speculative demand and in line with gold's price advance.

Moreover, all the U.S. motor manufacturers have signed supply contracts with Rustenburg and Impala, for platinum to be used as a catalyst to control motor exhaust fumes. But once that platinum starts being recycled in any volume, a potentially destabilising element could enter the market.

This striving for stability has led Rustenburg, in particular, to adopt increasingly conservative accounting policies, to reduce the debt component in its balance sheet to zero and to establish large cash reserves which can be mobilised to finance stockpiling should the market turn down.

A major imponderable is the level of Soviet sales to the West. It would make a lot of sense for the South Africa's and Soviets to reach an "understanding" over prices and marketing strategies, if one does not already exist.

The same is true of diamonds. The CSO is responsible for the marketing of about 80 per cent of the world's rough gems. Directly or indirectly, it is the agent for Russian stones, despite denials.

Platinum producers may be quickly buffeted by market forces but De Beers has over several decades, established effective control over the world's rough diamond market. During good years, De Beers accumulates cash resources. Then, when the market weakens, as it is at present, supplies to cutters are reduced and stocks accumulated.

And, such is De Beers' strength that, since before the Second World War, the price of uncut diamonds has been steadily increasing. De Beers or the CSO effectively dictates the price and cutters, who are reliant on one major supply source, are effectively obliged to accept what they are offered.

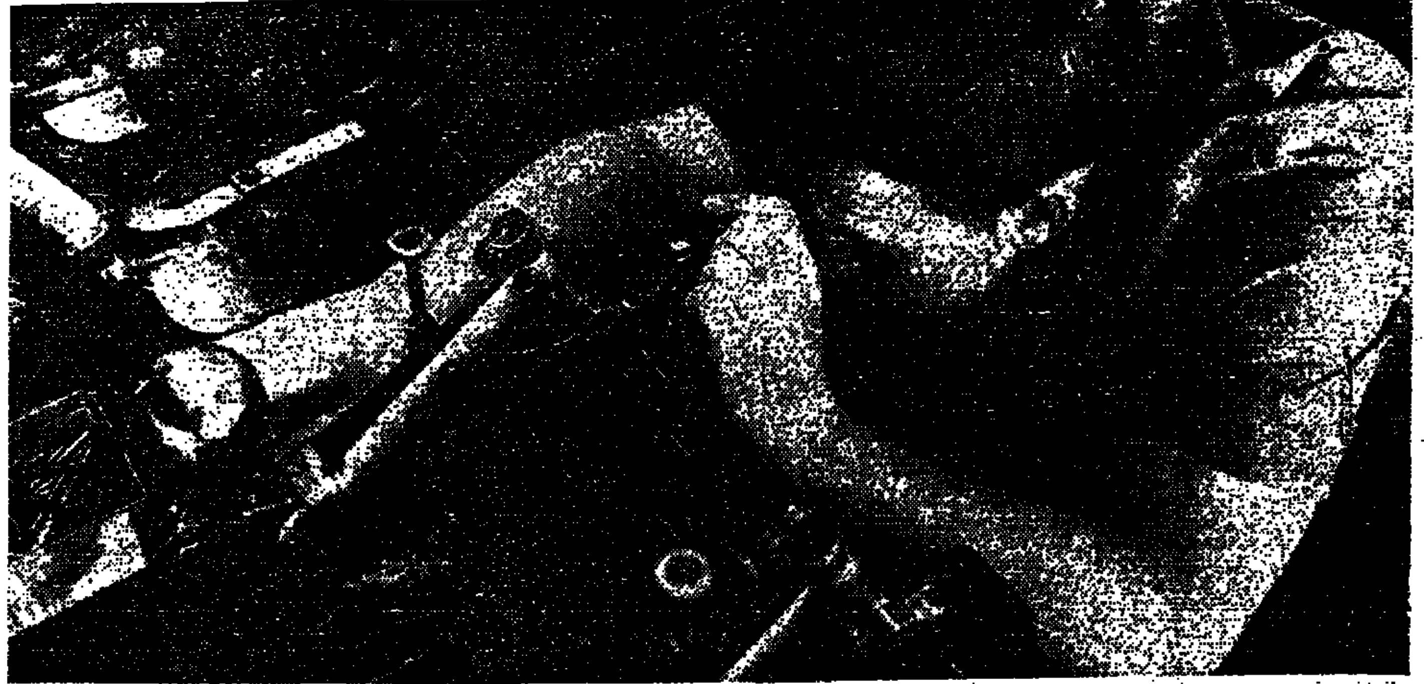
Over the next few years De Beers' marketing skills could be faced with some severe tests. The group is in the midst of major production expansion programmes, particularly in South Africa and Botswana.

New mines have been brought on stream in Namaqualand during the last few years and, elsewhere in South Africa, the Finsch mine is increasing production from 2.5m carats to 4.5m carats; and underground mining is to start this year at the 400,000 carats Koffiefontein mine; and expansion is under way at the Kimberley mines and Premier mine.

In Botswana establishment of the new Jwaneng mine is expected to be completed in 1982 and the Orapa mine has completed its expansion programme and is producing more than 4m carats a year.

Late last year, De Beers announced that it was to evaluate diamond pipes on the northern Transvaal farm Venetia, owned by mining house Anglovaal. If payable diamonds are found, De Beers will be responsible for their mining and marketing. But that will not be the end of the story. De Beers' geologists have been combing the area, on both sides of the Limpopo, since the 1960s. And though no anouncements have been made by the company, generally reliable sources in Johannesburg say that at least three large diamond pipes have been discovered.

In 1980, including its Botswana and Namibia operations, De Beers produced 14.7m carats against 13.98m in 1979 and 11.99m in 1978. By 1983, the group expects total production to be about 19m carats. Unless the diamond market improves soon, that implies that diamond stocks are likely to rise well above the R698m shown in the end-1980 balance sheet.



An expert prepares a diamond for its first cut, in which it is halved

SOUTH AFRICAN DIAMONDS

	1978	1979	1980
Production (000 carats)	7,726.6	8,384.3	8,593.8
Sales (000 carats)	7,390.1	8,173.2	8,450.2
Sales revenue (Rm)	445.8	547.4	546.0

Pressing ahead against the tide

URANIUM

QUENTIN PEEL AND JIM JONES

VALINDABA, SOUTH Africa's uranium enrichment plant currently being expanded, at a site west of Pretoria, to commercial production, is the corruption of a Zulu word meaning "the talking is over," or "the matter is closed." As a description for the secret operation which is at the heart of South Africa's nuclear development programme, it could hardly be more appropriate.

South Africa has resolutely pressed ahead with its own programme of uranium enrichment in defiance of the international community's fears that it will use the fuel to manufacture nuclear weapons, and in spite of the huge costs involved in a relatively small scale operation.

Valindaba is expected to come on stream "in the mid-1980s" with an output of some 50 tonnes of low-enriched — 3 per cent—uranium per year, much of which will go to supplying the country's first nuclear power station at Koeberg, outside Cape Town.

In recent weeks, the Uranium Enrichment Corporation (Ucor) announced that it had successfully produced 45 per cent enriched uranium in a small quantity, needed to fuel the South Africa Atomic Energy Board's research reactor, Safari 1.

The AEB, in turn, has successfully turned that feedstock into fuel elements.

Government officials, including Dr. Ampie Roux, the chairman of Ucor and mastermind of South Africa's nuclear programme, and Dr. Wynand de Villiers, the AEB's chairman, have always insisted that they are not involved in the planning or production of nuclear weapons.

But South Africa has also consistently refused to sign the nuclear non-proliferation treaty (NPT) — laying itself open to the oft-reported charge that it is clandestinely developing a nuclear capability.

The official reason is that South Africa's uranium enrichment process is claimed to be unique, and acceptance of the NPT would require disclosure of its details to safeguard inspectors from the International Atomic Energy Agency.

Many scientists dispute the claim to uniqueness, saying that the "jet-nozzle" technique is well-established, although some of the refinements may be original.

Whatever the reason, South Africa's refusal to sign the treaty is starting to cause serious problems for the programme. First, the U.S. refused to supply the highly enriched uranium needed by Safari 1 for its research in materials testing and the production of radio isotopes.

Until Valindaba produced its own highly enriched fuel, Safari 1 had been reduced to operating for only three days every three weeks.

Since then, the U.S. Congress has passed a law which prevents South Africa from receiving enriched uranium of any sort until it signs the NPT or agrees to "full-scale safeguards" —equally strict controls—which has effectively stopped the supply of the low-enriched fuel which will be needed by Koeberg from the end of next year.

France may be a potential alternative supplier, but there is a very real possibility that Koeberg will be completed and no fuel will be available, until Valindaba can supply it at least three years later.

Nuclear power is not critical to the South African electricity scene. In the long-term no power stations are likely to be built to serve the industrial complex of the southern Transvaal—thermal stations based on adequate coal reserves have a considerable economic edge here.

But for Cape Town and other areas remote from the Transvaal coal fields, nuclear power is more attractive than the alternative of transmission — either of coal or electricity — over distances of anything up to 1,000 miles.

The whole dispute over the NPT is particularly irritating to South Africa because, while the uranium mining industry in the U.S. is facing closures with the fall in uranium prices, production in South Africa is relatively cheap and reliable.

The key is that most of it is produced as a by-product of gold mining, and is therefore little affected by changing uranium prices.

According to California-based Nuexco, at a price of $25 per pound of uranium dioxide (U_3O_8) South Africa has 412,000 tonnes — say one-quarter—of the non-Communist world's reasonably assured uranium reserves of 1.73m tonnes.

These are mainly locked up in the gold-bearing reefs of the Witwatersrand series. Increase the price of a pound of uranium dioxide to $50 and South Africa's reserves rise to 452,000 tonnes while the world total increases to 2.8m tonnes.

Put another way, if uranium prices do not recover from their current level of about $27 per pound — down from more than $40 in 1979 — South Africa will maintain uranium production while several mines elsewhere become uneconomic.

Cost figures are shrouded in secrecy, but a reasonable estimate of treating each tonne of slime for recovery of by-product uranium is about R5 to R6.

Last year the average recovery grade reported by the gold mining industry was 0.166 kg per tonne.

In other words, it cost the industry somewhere between $17 and $20 to produce each pound of uranium dioxide.

The past few years of rising gold and uranium prices have resulted in a major expansion of uranium production capacity at the country's gold mines.

Such facilities as Anglo American's Ergo project on the East Rand, its joint metallurgical scheme in the Orange Free State, and General Mining's Chemwes operation to serve the Klerksdorp Mines Buffelsfontein, have been designed to treat old mining residues for recovery of uranium and small quantities of gold.

They have been built with the help of "interest-free" loans tied to long-term uranium export sales contracts. The same is true of the ventures at JCI-managed Randfontein and Rand Mines-managed Harmony.

"Interest-free" is something of a misnomer — it is used as a tax dodge and uranium sales prices are reduced slightly to compensate purchasers for the cost of funds they have put up. But several contracts have been written with a base price escalated in line with indices which cannot be manipulated by the buyer or seller.

Whatever happens, South Africa is assured of uranium dioxide supplies for its uranium enrichment programme. But given the current wrangle over enriched supplies from the U.S., Dr. Roux must be hoping that Pelindaba, the name of the Atomic Energy Board headquarters, proves an appropriate name. It means "the matter is agreed."

THE URANIUM PICTURE

	1977	1978	1979	1980
Ore treated (m tonnes)	19.9	22.0	26.1	30.8
Uranium production (tonnes)	3,873.8	4,531.2	5,539.1	6,086.4
Profit (Rm)	69.8	143.9	208.9	148.8

Includes only gold mines which are members of the Chamber of Mines of South Africa. Revenue and cost figures are not provided. Profit figure shown is before tax.

Gold hoarders provide a double bonus

GOLD BUGS are South Africa's best friends, and perhaps it is no coincidence that they tend to be politically conservative too. So persuading more people to hoard or invest in gold pays off doubly for the South African Government.

Promoting wider uses of the metal—whether it is the remonetisation of gold, or simply buying gold coins—is a common interest of both the Chamber of Mines and the South African Reserve Bank.

The most successful campaign to date has been the marketing of Krugerrands, the one-ounce gold coins—and more recently smaller versions—which bear the puritanical features of President Paul Kruger, the 19th century Afrikaner leader and bane of the British Empire.

More than 30m coins have been sold by Intergold, an arm of the Chamber of Mines, accounting for up to 27 per cent of South Africa's gold output in recent years.

As for bullion sales, they are solely the responsibility of the Reserve Bank. The mines deliver their entire output to the rand refinery, and are paid by the bank at a price determined on the day of delivery.

The Reserve Bank insists that its policy is to market the country's entire output in as quick and orderly a manner as possible. It denies repeated rumours of direct gold swaps for oil, and maintains there is no advantage in playing the market.

Some bullion was withheld from the market in the last year, bank officials say that was merely a response to the huge balance of payments surplus.

Bullion is sold in London, to the Swiss gold pool and to several West German banks and U.S. precious metal dealers. Intergold's 15 wholesale distributors, mostly banks, handle Krugerrand sales.

The chances of South Africa trading in futures markets or withholding gold in the hope of boosting prices are effectively zero. If the Reserve Bank were to enter into large forward sales contracts, gold markets would take the view that a fall in price was around the corner.

Individual mines are being allowed to deal in the futures markets on an experimental basis.

Quentin Peel

More than 30m Krugerrands have been sold, accounting for up to 27 per cent of South Africa's recent gold output

Much of the debate about South Africa's international role centres on its strategic minerals. The table below sets out mineral production as percentages of total world production and reserves.

1978	Production		Reserves	
Commodity	Rank	per cent.	Rank	per cent
Antimony	3	13	3	5
Asbestos	4	5	4	5
Chrome ore	1	34	1	81
Copper	10	3	12	2
Diamonds	3	20	2	21
Fluorspar	3	9	1	35
Gold	1	49	1	51
Iron ore	9	3	7	3
Lead	—	—	5	4
Manganese ore	2	20	1	78
Nickel	7	4	7	6
Phosphate rock	7	2	3	9
Platinum group Metals	1	49	1	75
Silver	15	1	6	4
Tin	10	1	13	1
Titanium conc.	3	16	6	7
Uraium (Western world only)	3	11	2	18
Vanadium	1	40	1	49
Vermiculite	2	35	2	29
Zinc	21	1	5	8

Source: South Africa Minerals Bureau.

Economy's vital asset good for many years

GOLD

JIM JONES

GOLD, it almost goes without saying, is pivotal to the South African economy. In 1980, when the gold price averaged $617 an ounce, the mining industry's gold revenue was R10.19bn—according to the Chamber of Mines' statistics, or 17.6 per cent of the country's R57.9bn Gross Domestic Product. In 1979 gold revenue was R5.67bn—less than 13 per cent of Gross Domestic Product at R43.7bn.

This year it has been variously estimated that if the gold price averages $500, the country will suffer a balance of payments deficit of R2.2bn. And to put things in perspective, every $10 shift in the price of an ounce of gold alters the country's gold revenue by just less than R200m.

Put another way—according to statistics from the Department of Minerals and Energy Affairs, which differ slightly from those of the Chamber of Mines — total mineral exports were R13.3bn in 1980, of which gold contributed R10.4bn, or 77.8 per cent.

Nor is gold's contribution to the economy likely to decline rapidly. According to Dennis Etheredge, the immediate past president of the Chamber of Mines and the chairman of Anglo American Corporation's gold division, taking a gold price of $650 an ounce, South African mines should produce about 13.000 tonnes of gold in the next 20 years. To achieve this the industry will incur capital expenditure of about R50bn in current terms.

The higher gold prices of the past couple of years have given the industry added impetus, but the cost of maintaining national output will not be cheap. A new medium-sized gold mine, treating, say, 100,000 tonnes of ore a month, costs somewhere in the region of R300m to R400m and the cost of capital equipment is rising at probably more than 20 per cent a year. Etheredge's estimate is subject, of course, to several caveats, one being that if the gold price moves sharply ahead production could quickly fall below the 675 tonnes to 685 tonnes a year he projects until 1987.

Obligation

The gold mines are legally obliged to mine ore at the average grade of their reserves, thereby maximising the country's production. If the gold price advances faster than working costs, lower grade ore can be incorporated in reserves and average milling grades fall. However, it is not possible to increase immediately the tonnages of ore mined to maintain overall gold poduction.

The gold mining industry is in a phase of significant expansion, both at existing mines and with the establishment of new producers. If current widespread prospecting discloses ore in economic quantities, several more mines could reach the development stage during the current decade.

Current mining developments can be split into four distinct categories: expansion of existing mines; development of mining operations adjacent to existing mines and as extensions of existing gold fields; establishment of mines in areas previously thought to be sub-economic; and re-treatment of old mine dumps. The developments are industry-wide.

Veteran producer FRPM, which started milling gold ore in 1980, is spending R300m to increase the monthly milling rate from 200,000 tonnes to 325,000 tonnes in 1985.

As recently as 1979 the mine was managing to keep operations going only with state financial aid. Now management believes operations will continue at the higher production rate for at least 25 years.

Durban Deep, which started operations in 1898, ten years before ERPM, and is managed by the same group, Rand Mines, has plans to extend operations into large areas of previously unpayable ground within the mine's current lease area. The largest extention of all, costing R450m, is at Anglo's Western Deeps.

The capital cost of developments such as these can be immediately offset against mining profits for tax purposes. In effect, the tax man pays about 60 per cent of all mine expansion capital costs, thereby frequently tilting the balance in favour of financial viability of new projects.

This consideration, however, is leading to the establishment of larger mining operations under single management when it comes to exploiting new ground next to existing mines.

To the west of Johannesburg, Gold Fields of South Africa has formulated plans for the mining of a large block of high grade ground immediately to the north of East Driefontein.

This involves the merger of East Drie and West Drie, incorporation of the new ground into the new lease area, the use of West Drie's mill to treat ore from East Drie — thereby saving the capital cost of a new mill and, immediately tax, as capital expenditure is offset against profits from the existing mines.

GOLD PRODUCTION	1977	1978	1979	1980
Tons milled (m tonnes)	74.5	78.2	83.5	89.9
Gold produced (tonnes)†	697.0	704.5	702.8	663.2
Average grade (grammes per tonne g/t)	9.22	8.85	8.19	7.28
Cost per tonne milled (R)	23.87	27.14	30.18	35.53
Cost per kg of gold (R)	2,441	2,877	3,464	4,587
Gold revenue (Rm)	2,809.1	3,863.1	5,666.8	10,193.0
Total profit before tax (Rm)	1,263.9	2,073.0	3,537.3	7,335.1
Tax and lease (Rm)	477.4	937.3	1,703.0	3,838.1
Capital expenditure (Rm)	430.3	448.3	689.0	922.0
Dividends paid (Rm)	338.7	546.6	962.9	2,278.8

† Includes miscellaneous by-product gold and output from Anglo-American Orange Free State joint metallurgical scheme: 1977, 9.2 tonnes; 1978, 13.0 tonnes; 1979, 16.4 tonnes; 1980, 8.8 tonnes.

That same tax-saving alchemy has been applied by Anglo American in the development of a mine on the farms Erfdeel and Dankbaarheid on the northern border of Free State Saaiplaas.

That has involved the merger of Free State Saaiplaas with Western Holdings and Welkom.

The peculiarities of South Africa's gold mining tax system make such tax-saving operations possible if new ground is near existing mines. The same savings are not, however, possible in the case of two mines, Beisa and Beatrix, being developed by General Mining-Union Corporation well to the south of the existing Orange Free State gold mines, in what is essentially virgin territory. Most new mines are funded by an issue of shares to the public before the first sod has been turned, but Beisa and Beatrix are being financed completely by the mining house.

The developments in the Orange Free State followed several years of intensive drilling. That is continuing in ground which, though new to mining, is effectively an extension of the reefs forming the existing Orange Free State gold field.

Elsewhere, near the eastern Transvaal village of Kaapse Hoop, which was the scene of much small-scale mining before the gold reefs of the Witwatersrand were discovered in 1886, Anglo-Transvaal is drilling what could prove to be a new gold field.

It will be some years before the area is completely explored but hopes are high that a new goldfield will be disclosed—and that several new mines will result.

Capital is not a major constraint on the establishment of new mines—but the availability of skilled labour is. White workers in the gold mining industry are represented by the powerful Mine Workers' Union which has set its face firmly against black advancement.

Black workers cannot be employed at the working face in administrative capacities or unless they are under the supervision of a white miner. That is enshrined by law in the Mines and Works Act—legislisation which is more often than not honoured in the breach.

Intransigence

Attempts by management to upgrade the skills of black workers have come up against the intransigence of the MWU, in spite of the industry's attempts to promote some black workers in support, rather than production, roles. Matters are not helped by the fact that most of the black employers are "migrant" labourers — legislation prevents the mines from housing more than a small percentage of black workers with their families on the mine properties.

This migrant system—with black workers spending only a contracted period on the mines before returning home—results in inefficiency to an extent that is being overcome by industry-wide benefits aimed at encouraging migrants to return to the same mine for several part contract periods.

The industry has had to compete with other sectors by raising black wages. Between 1970 and 1980 the industry's black wage bill rose from R79m to R870m with underground workers earnings an average monthly cash wage of more than R195 in 1980. To that is added accommodation, food and medical care, valued by the mining houses at R73 per head.

In the last 10 years or so, the industry has generally tried to increase black wages at a greater percentage rate than those of white workers. Even so, the absolute differential has grown steadily, while wages for black and white now account for anything up to 50 per cent of total working costs.

Threat to cut supplies to West would misfire

BASE MINERALS

JIM JONES

IN RECENT years, South African government spokesmen have argued consistently that without their country's mineral exports, the major Western economies would suffer severe crises. The implied threat is that unless the West supports South African government policies, exports of those minerals could be halted.

Such warnings are almost certainly counter-productive, and have caused consternation in the major South African mining houses. On the one hand, they may prompt several major importers of strategic South African minerals to establish emergency stockpiles. They have also accelerated the search for alternative sources of supply. On the other hand, any halt to South Africa's mineral exports would have severe repercussions on its own balance of payments.

Most attention on South Africa's mining industry has focused on gold but the country's other minerals have been enjoying almost boom conditions. In the last decade the country has moved increasingly away from the export of unprocessed ores towards the more profitable business of greater beneficiation.

The emphasis, sensibly enough, has been on those metals which can be best beneficiated using the country's abundance of cheap coal-generated electricity. Importantly, it has been on the production of alloys of three critical steel industry metals, chrome, manganese and vanadium, of which the country has the bulk of the world's known reserves.

The Bushveld Igneous Complex, a major metallogenic zone from which all South Africa's platinum is produced, is estimated to contain about 80 per cent of the world's chromite reserves and some two-thirds of its vanadium, while about half of the world's known manganese ore reserves lie under the Kalahari sands of the northern Cape.

The major expansion of ferro-alloy capacity has not been without its problems. During the late 1970s, capacity expansion was so rapid that the five major ferro-chrome producers, Samancor, Consolidated Metallurgical Industries, Tubatse, Middelburg Steel and Feralloys, ended up cutting each others throats over prices, as world steel industry demand slowed down.

By mid-1980, all the South African producers had been forced to cut output, and in 1980 and 1981 sales teams found it impossible to negotiate sufficiently higher export prices to compensate for higher production and freight costs. Nor have profits been helped by the rand's strength against the dollar.

Over-supply problem is unlikely to end for some years. There is increasing competition in world markets from post-sanctions Zimbabwe. And in South Africa itself, a new, large source of chrome ore could be exploited within the next few years.

That is the platinum and chrome bearing UG2 reef of the Bushveld Igneous Complex which, until recent technical advances, could not be treated for its main constituent metals. Several mining groups are planning feasibility studies.

That problem does not affect manganese and vanadium, but by the second half of 1980 production of the alloys of both metals had been reduced with production line closures.

The same tale of woe can be told of the other minerals in which the country has a leading position. The world's largest producer of antimony, which has a prospectively large market in textile and plastics flame retardents, has taken its major customers as partners in a crude antimony oxide plant. But with consumers of crude oxide de-stocking, mine and oxide output have been reduced. The same problem of over-supply has affected fluorspar producers, though there are plans for the establishment of additional mine capacity to come on stream, it is hoped, when the market recovers. South Africa has about 17 per cent of the world's fluorspar reserves but accounts for only some 10 per cent of sales.

Like all other minerals producers, South Africa is suffering from the world's economic slow-down. This has led to cries of anguish from some sectors of the mining industry; it is seen as a short-term problem. By the turn of the century, growth in minerals sales should ensure that gold has been overtaken in export value.

Several projects, such as Anglo American's Gamsberg copper and zinc venture in the northern Cape and a planned copper refinery in the western Cape, have been put on ice. They could be making a positive contribution by the end of this decade.

MINERALS PRODUCTION ('000 metric tonnes)

	1977	1978	1979	1980	World ranking
Antimony*	20	16	20	22	2
Asbestos	380	257	249	269	3
Chrome	3,059	3,145	3,297	3,428	1
Copper	205	206	191	200	10
Fluorspar	351	393	451	505	3
Iron ore†	25,997	24,206	31,565	26,102	9
Manganese	5,290	4,180	5,182	5,701	1
Phosphate	n/a	18,810	19,296	19,536	6

* Concentrates typically containing 60 per cent antimony metal.
† Haematite and magnetite.

MINERAL SALES (Rm)

	Exports 1979	Exports 1980	Domestic 1979	Domestic 1980
Gold	5,842.0	10,369.6	—	—
Silver	29.9	51.1	—	—
Diamonds	547.4	553.0	634.3	806.9
Coal	688.1	509.1	633.6	865.3
Other	1,572.0	1,659.7		
Total	8,500.4	13,321.5	1,267.9	1,672.2

An official success story

South African industrialists are fond of telling the Government to get off their backs. Some of them prefer to forget however, that official policies have played a key role in the growth of secondary industry.

Manufacturing now accounts for about 23 per cent of gross domestic product. About 1.4m people, only one fifth of them whites, are employed in the country's factories. Barlow Rand is the biggest industrial company, followed by SA Breweries and Sasol. On the most superficial level, the Government and its agencies are among the biggest consumers of manufactured products. Preference is given to locally made items, even when they are considerably dearer than competing imports.

The authorities have deliberately set out for the past half century to promote local industry, mainly through customs tariffs and import controls. The price has been short production runs, high raw material costs and, in some cases, inferior quality and powerful monopolies. The arguments used to justify this policy are by no means unique to South Africa: the importance of job creation, development of rural areas and strategic self-sufficiency.

The rising threat of international trade sanctions against South Africa in the past two decades has prompted both the public and private sectors to redouble their efforts. The burgeoning electronics industry, examined in more detail below, is a good example of one whose purpose is primarily to reduce the country's vulnerability to boycotts.

The industrial development policy has failed up to now in one crucial area. A battery of incentives (tax concessions, transport rebates, interest rate subsidies and so on) and some sticks (notably restrictions on the employment of blacks in urban areas) have had little impact in persuading manufacturers to set up factories in and around the remote tribal homelands. Only 51,000 jobs have been created in de-centralised areas in the past 21 years.

The decentralisation policy is currently being overhauled, and details of new incentives are likely to be disclosed before the end of the year. One probable change is that "decentralisation areas" will not necessarily be sited on the doorsteps of each homeland. Other facets of industrial policy are also being re-examined, chiefly with the aim of dismantling some of the bureaucratic controls which have hindered, rather than helped, industrial development.

A prime target is price control. Besides protecting consumers restrictions on price increases of key commodities used to be thought of as a useful incentive to secondary industry. More recently, however, the message has struck home that the controls have contributed to serious distortions in the economy, including a brake on new investment and the financial difficulties of several big public corporations.

Price controls on a number of commodities, such as fertiliser and bricks, are likely to be dismantled soon, but they will almost certainly remain on some others, including petrol and most agricultural products. Furthermore, quantitative controls on imports are being replaced with effective customs tariff protection.

Big business has been alarmed at a recent tightening of anti-monopoly laws, especially a new provision allowing the Government's Competition Board to veto mergers and takeovers before they take place. The experience so far has been that the Board's bark is worse than its bite, but the Government has not hesitated in the past to block mergers (in the newspaper and mining industries, for instance) which it regards as a political threat.

Bernard Simon

Embargo boosts home production

ELECTRONICS
BERNARD SIMON

THE EXPERTISE and size of South Africa's electronics industry have grown in the past decade. But many of the industry's achievements are shrouded in secrecy, and published details of its activities are sparse.

One reason is that the military is among the industry's largest customers, and has been a major force in its growth since President Carter embargoed sales of U.S. computers to the defence force and other sales of U.S. computers to "strategic" customers in 1977.

U.S. computer and electronics companies, including IBM, Burroughs and Hewlett Packard had been key suppliers to these bodies.

The embargo has meant turning to other suppliers and finding less orthodox ways of acquiring equipment.

Shortly after the restrictions were imposed, the Pretoria Government formed a working group to study ways of improving South Africa's access to electronic equipment.

The move coincided with a burst of growth in demand, partly from the military, but equally important from the Post Office — for its new electronic telephone system — and from commerce and industry.

Even in the depths of the 1975-78 recession, computer sales were rising by around 25 per cent a year. The electronics and telecommunications industry grew at a similar rate in 1980.

South African companies now produce a wide range of electronic components, including capacitors, sold state inverters, printed circuit boards and telephone capsules.

The country's first commercial micro-chip factory, a joint venture between Siemens, of West Germany and the state-owned Industrial Development Corporation, began production last year. The Post Office, it main customer, susidises the project.

About half a dozen companies produce mini-computers and intelligent terminals. Local content is estimated at up to 70 per cent.

South Africa may have the expertise to make the most sophisticated parts for mainframe computers but the high cost of short production runs of processors and memories are likely to keep the country dependent on foreign supplies of these items for the foreseeable future.

The biggest South African-owned electronics companies are Allied Technologies (ALTECH) and Barlow Electronics, part of the Barlow Rand group.

Altech's biggest breakthrough came in 1977, when it acquired control of STC's local subsidiary. More recently, it formed a joint company with CGE of France to supply the Post Office with equipment for its electronic digital telephone system.

Armscor, the state-owned weapons manufacturing and procurement agency, frequently boasts of its prowess in electronics, notably in missile applications.

Most international electronics and computer companies have sizeable operations in South Africa. They include IBM and ICL — the leading computer suppliers — as well as Siemens, Marconi, Motorola and Plessey. ICL's plans to set up a local computer assembly plant are believed to have reached an advanced stage, but details are cloaked in secrecy.

The U.S. embargo forced American companies to cancel several valuable contracts with Government agencies in the late 1970s, and European suppliers, particularly ICL, turned the Americans' difficulties to their own advantage.

But the concern among many customers then that restrictions might be further tightened appears to have evaporated and the U.S. companies have enjoyed the fruits of South Africa's business upswing as much as any of the others.

Burroughs and Control Data were awarded a large R40m contract by Iscor, the state-run steel maker, in late 1979, despite competition from ICL and Siemens.

The AECI laboratories at Modderfontein, outside Johannesburg

Making rapid progress

CHEMICALS
BERNARD SIMON

COAL IS THE KEY to South Africa's booming chemical industry. But the attention heaped on Sasol's oil-from-coal plants has obscured some notable achievements in other areas.

Sasol, with a turnover last year of R1.3bn, is only slightly larger than AECI—1980 turnover R1.2bn—the jointly-owned ICI-De Beers company which dominates large areas of the chemicals market.

Other leading chemical producers include Sentrachem—in which Gencor has a small stake—and the local subsidiary of the German chemicals giant Hoechst.

Like Sasol, AECI and Sentrachem have turned increasingly to coal as a feedstock for their products. The two companies are partners in the R230m coalplex project, situated close to Sasol one—the world's largest coal-based polyvinyl chloride (PVC) plant with an annual production capacity of 100,000 tons.

It produces chlorine and caustic soda — among other chemicals — as by-products.

AECI also operates the world's largest coal-based ammonia plant, and is the only company to produce methanol in commercial quantities from coal.

The industry has made substantial strides towards making South Africa self-sufficient in plastics raw materials. The capital invested in the plastics industry — including present expansion plans—is estimated at around R1,500m.

Items produced locally include 100,000 tons a year of low density polyethylene, 70,000 tons a year of high density polyethylene, 142,000 tons a year of PVC, 50,000 tons a year of polyesters and 35,000 tons a year of polypropylene. Nylons, polycarbonates and acetal resins are among the few products which are still imported.

Like many other South African industries, the chemicals sector is protected from foreign competition by high Customs barriers and stringent import controls. With the authorities moving away from import licensing, the industry recently applied for further tariff increases, which could rise by as much as 100 per cent in some cases.

In spite of that prospect, the industry frets at the threat from low-priced imports.

Mr. Denys Marvin, AECI's managing director, said: "We can't compete with imports from the U.S. for example, where oil and gas are so cheap."

This concern has not prevented the industry from committing itself to several large, new projects. Work recently began on AECI's R150m low-density polyethylene plant at Sasolburg, whose capacity will reach 140,000 tons a year. An AECI subsidiary, SA Nylon Spinners, plans to erect the country's first acrylic fibres plant.

Sentrachem's flagship project is a R300m synthetic rubber complex at the Natal town of Newcastle.

The plant will add 50,000 tons a year to South Africa's production of polyisoprene rubber, and is expected to replace almost all natural rubber imports.

The commissioning of Sasol 2 last year and Sasol 3—expected to be in full production in late 1983—will significantly boost production of chemical feedstocks, such as ethylene, propylene, styrene and ammonia. Sasol 2 is the country's first coal-based ethylene plant.

The large chemical companies are also gingerly preparing themselves for large investments in synthetic fuel production.

AECI has teamed up with Shell's local subsidiary and Anglo American Coal to study the feasibility of a R1,000m plant to produce methanol as a substitute for oil-based fuels in diesel engines.

A similar project is being considered by a consortium including Caltex and the Anglovaal mining house.

Sentrachem is studying the feasibility of producing ethanol on a large scale from agricultural products, notably maize.

It talks of the possibility of erecting no fewer than 10 plants. It is also involved with Gencor in tests for a direct liquefaction plant based on a coal field in the northern Transvaal.

The main stumbling block in all these ventures is the extent to which the Government will offer financial incentives.

And that presumably depends on South Africa's ability to continue buying crude oil on world markets.

Prices are rising to realistic levels

IRON AND STEEL
BERNARD SIMON

FEW SECTORS of the economy have benefited as much from the Government's growing appreciation of the profit motive as the steel industry.

Steel prices may not be raised without the authorities' consent, but increases approved in the last few years, averaging 10-15 per cent a year, have at least been fairly realistic.

In an effort to stimulate secondary industry, steel prices remained unchanged for almost two decades until 1970.

In addition, the state-owned steelmaker ISCOR has sold shares in some subsidiary companies to private investors.

It was on the point of relinquishing control of Samancor, the West's largest manganese producer, in 1977 — but drew back after the highest bidder turned out to be Anglo American, a buyer the Government considered politically unacceptable.

More realistic pricing policies contributed to ISCOR's return to profitability last year for the first time since 1973. Its pre-tax profit was R77.5m in the year to June 30 1980, against accumulated losses of around R250m in the previous six years.

ISCOR accounts for about three-quarters of domestic steel sales. It is also a major exporter of steel and iron ore. The latter totalled 14.5m tonnes in the year to June 30, 1980, and an expected 11.3m tonnes in 1980-81. It is shipped through the new harbour at Saldanha Bay, north of Cape Town.

The next largest steel producer is Highveld Steel, an Anglo American subsidiary, accounting for just over 8 per cent of local sales. That is followed by Dunswart, part of the Gencor Group — 4.5 per cent—Scaw Metals, another Anglo American subsidiary — 3.8 per cent — and Union Steel — 3.7 per cent.

9.4m tonnes target

South Africa is the West's 16th largest steel producer. Total crude steel production fell a fraction short of 9m tonnes in 1980. ISCOR estimates that it will reach 9.4m tonnes this year. About 1.6m tonnes of finished steel products will be exported, slightly lower than in 1980.

In carbon steel, South Africa is about 98.5 per cent self-sufficient. Imports consists of small tonnages of special steels which are uneconomic to produce locally. In stainless steels, the country will be 90 per cent self-sufficient, when a R150m expansion project at Middelburg Steel and Alloys, the only stainless steel producer — and part of the Barlow Rand group —is completed early next year.

The key product to be added to Middelburg's range is thin-guage, cold-rolled steel, used largely for kitchenware and in strategic applications. The extension will enable the company to increase its annual export earnings from R20m to around R100m.

Steel exports reached a peak of 2.3m tonnes two years ago. In spite of the drop in volumes during 1980, ISCOR and the private steelmakers managed to sell their products in 51 countries, mainly in North America, South America, South-East Asia and the Middle East —but substantial quantities were sold at a loss.

The industry expects both volumes and prices to begin picking up soon. The number of inquiries from abroad has not yet increased but the rapid weakening of the rand since January has prompted the steelmakers to conclude some business which would have been unacceptable last year.

Domestic demand still remains high, thanks to a strong increase in steel consumption for new mining projects, black housing, railway expansions and power stations. But sales are likely to start tapering off soon. ISCOR forecasts that local sales of finished products will total 4.7m tonnes this year, more than 0.3m tonnes below 1980 offtake.

ISCOR's largest capital project is a R132m direct reduction plant at its Vanderbijlpark works, which is scheduled to produce 0.6m tonnes of sponge iron a year by 1985. Highveld is to spend R110m on expanding its iron making capacity.

Moving to greater local content

MOTOR INDUSTRY
BERNARD SIMON

THE SOUTH AFRICAN motor industry is a good example of both the benefits and the costs of the Government's import replacement drive.

Under the latest phase of its programme to bolster the local motor industry, which came into force in January 1980, Pretoria requires a 66 per cent local content—by weight—for all motor cars. Light commercial vehicles must reach this target by the end of 1982.

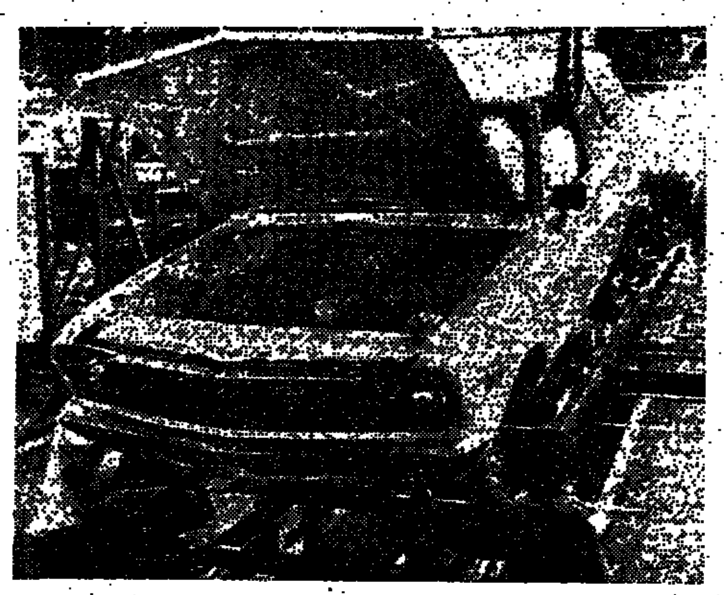
Furthermore, the local content programme is currently being extended to medium and heavy trucks and tractors in the form of locally-made diesel engines.

It is estimated that 700-800 of the 2,500 components in the average passenger car are now made in South Africa. Because the local content requirement is based on weight, production has concentrated on bulky, less sophisticated items. Stamped sheet metal accounts for about a fifth of locally supplied products. Gearboxes, carburettors and electronic equipment are still imported.

The local content programme has brought appreciable benefits to the economy. Employment in the motor industry, including component manufacturers, is 65-70,000. Several large factories are situated in areas particularly in need of job creation, such as the eastern Cape.

The industry is also among the largest consumers of several locally produced materials, including paint, steel and synthetic rubber.

Motor vehicle sales reached their highest ever level in 1980. Car sales shot up to 277,058 vehicles, from 223,413 in 1979 and the previous record of 229,000 in 1975. Commercial vehicle sales reached 127,698 units, 26.7 per cent higher than the previous year.



The assembly line at Datsun's factory in Rosslyn, Pretoria

The upward trend continued in the early part of 1981, with car sales in the first three months 19 per cent up on the first quarter of 1980. Car sales are likely to be close to 290,000 for the year as a whole, but will fall markedly in 1982 as the economy slows.

The buoyancy of the market has for the time being obscured some serious shortcomings in the industry. Heavy protection from imports has given manufacturers little incentive to rationalise their operations. The 10 assemblers offer no fewer than 35 basic passenger car models, with over 100 style variations.

There have been some mergers and take overs in recent years. Sigma, jointly owned by Anglo American Corporation and Chrysler, took over Peugeot-Citroen's local subsidiary and came close to acquiring Leyland South Africa, BL's local subsidiary, two years ago. The Leyland deal subsequently fell through. Fiat withdrew from South Africa last year, as its market share dwindled, leaving only one commercial model to be assembled by Alfa Romeo.

It is unlikely that further significant changes will take place in the near future. Most manufacturers have returned to profitability after the lean years of the 1976-78 recession. In Leyland's case, mediocre returns on motor car sales are offset by a more lucrative bus and truck division.

"I don't see any reason for change," Mr. Colin Adcock, managing director of Toyota South Africa, said. Toyota is the leading manufacturer, with an 11 per cent share of the car market and 27 per cent of commercial vehicle sales. On the car side, its sales were exceeded last year by Sigma which makes Mazda, Peugeot and Citroen cars (20 per cent of the market), Volkswagen (20 per cent) and Ford (15 per cent). In the commercial market, Toyota is followed by Datsun (25 per cent), Ford (14 per cent) and General Motors (12 per cent). The leading tractor models are Fiat, Massey Ferguson and Ford.

The commercial vehicle and tractor market has been distorted in recent months by a rush to import vehicles ahead of the commissioning of the R350M Atlantis diesel plant, north of Cape Town.

This project has drawn fierce criticism from the motor industry. It was initially conceived as a means of making the military less dependent on imported engines.

To improve its viability, the venture was extended to include commercial vehicles, despite estimates that Atlantis engines will add roughly 20 per cent to the retail price of heavy trucks, diesel engine imports will be discouraged by customs duties of up to 40 per cent.

Food a major contributor to earnings

IN A continent of generally dismal agricultural statistics South Africa provides an exception.

It is self-sufficient in food and its surpluses range from maize which, despite bitter political differences, finds its way to black states, to peaches and other fruits for the tables of Europe. Exports of processed and unprocessed agricultural products contribute about 18 per cent of the country's export earnings (excluding gold). Gross value of agricultural production in 1979-80 was R3712m, an increase of 32 per cent over the preceding year, while volume of production rose by 5 per cent. Latest forecasts anticipate a 9 per cent growth in the sector this year, reflecting a record maize harvest of 14.5m tons.

There is another side to South African agriculture not reflected in these impressive figures, however. Much is made of the country's capacity to feed itself, but malnutrition and poverty in the black "homelands" is severe. The capacity of these areas holding some 10m blacks or 50 per cent of the African population, is steadily diminishing as the quality of arable and grazing land declines under a human burden it is incapable of sustaining.

The increased level of mechanisation by the 70,000 white farmers has helped make possible the removal of black workers from the land and, according to one estimate, at least 400,000 labour tenants were removed between 1960 and 1970. In her study of farm labour in South Africa, "Masters and Serfs," Rosalynde Ainslie has given a graphic account of the working conditions of labourers, not covered by the Industrial Conciliation Act or the Workmen's Compensation Act.

The sector currently employs just over 1m blacks—making it the country's largest single source of employment—and although the notorious Masters and Servants Act was repealed in 1974, wages and working conditions of the men and women who contribute to South Africa's impressive agricultural production remain poor.

Such a background makes it especially ironic that without massive imports of South African maize—at least 600,000 tons last year alone—some of South Africa's most vocal critics would have been in difficulty. Zambia, Kenya, Zaire, Mozambique, Zimbabwe and Malawi bought this staple food to avert domestic shortages due to drought, reduced plantings or poor pricing policies. The crop is at the heart of South African agriculture. It is grown by nearly a third of the white farmers, mainly in the Transvaal, Orange Free State and northern Natal, taking up over 40 per cent of the total cultivated area of almost 11m hectares.

Target

After allowing for domestic consumption of 6.2m tons and provisions for reserves, South Africa this year will have some 8m tons for export, says Mr. H. Nel, general manager of the maize board. The export target is 5.5m tons (the largest customers are Taiwan and Japan) but the African market looks less assured. Zimbabwe itself has a surplus, Zambia's crop is probably enough to meet its needs, although Zaire will continue to import up to 160,000 tons for the mineral province of Shaba.

The export surplus is, however, a mixed blessing, because of the tangled Government pricing policy. The maize price is fixed annually and the domestic price has risen 70 per cent in the past three years, pushing it well above the world price of the crop. The result is that effectively it costs around R280m to cover export losses. Meanwhile food prices have been soaring, partly because of the higher cost of maize itself and its impact on other food prices such as beef, pork, chicken, eggs and dairy products. Food prices rose a massive 30 per cent in 1980 and meat in particular soared by nearly 60 per cent.

Ensuring price stability has been the main function of the country's marketing boards which control sales of most of South Africa's agricultural production. The era of comparatively cheap food in South Africa is well past though, and cultural costs have been rising the system—which is under increasing criticism—requires a radical overhaul.

There is no doubt that agricultural costs have been rising at a faster rate than inflation. Mr. Piet Swart, director of the South African Agricultural Union, picks out the cost of fuel, tractors and fertiliser in particular and calculates that the farmers' price index rose 28 per cent in 1979—double the rate of inflation. Some agricultural economists argue, however, that there is a considerable degree of inefficiency in the sector. About 80 per cent of total sales are accounted for by only 20 per cent of the farming units and many of the remainder are badly managed.

Meanwhile the sector faces a considerable challenge. According to a SAUU economist it has been estimated that if the South African economy sustained an annual average growth of 5.4 per cent between 1977 and 1987, the demand for agricultural products would grow at 3.8 per cent a year. Yet the best achieved in the past decade was around 3 per cent.

The second largest export is sugar, and the industry is still feeling the impact of last year's drought during which much of the cane died and growth was adversely affected. Peter Sale, general manager for the South African Sugar Association, nevertheless expects the 1981-82 crop to reach 1.5m tons of which 1.2m will be for domestic use and some 600,000 tons for export.

Keen competition

The main markets for South African sugar are Japan, which takes 50 per cent, and Canada, which takes 30 per cent. The industry is trying to diversify, however, and recently signed a three-year contract to sell to South Korea. "Competition is getting keener and we will certainly have to start looking for new markets," says Mr. Sale.

Less encouraging is the wheat crop, down by some 30 per cent in 1980-81, and forcing South Africa to import about 220,000 tons. The crop for the current year is estimated at 1.45m tons against national consumption of 1.75m tons, and the drought hit the Orange Free State—where 60 per cent of the crop is grown—particularly hard. Other food imports include rice, coffee, cocoa and tea. The third major commodity is wool, and the Board expects production of some 100m kg, bringing export earnings of around R200m.

The sector causing greatest concern is the meat industry. The cattle population is down from 9.5m in 1978 to 8.5m in February this year as a result of farmers increasing their slaughter rate to compensate for what an official of the meat board, Mr. D. E. Heystek, describes as "uneconomic producer prices." For the consumer it was a different story, as increased demand created a shortage and the cost of meat rose 60 per cent last year.

A complex system of floor prices, support prices, producer permits and agents' quotas are used to try and ensure stability, but the farmers themselves have been having difficulties since the mid 1970s with producer prices becoming stagnant or even falling in real terms. Nonetheless, consumers are convinced that middlemen in the industry are making exorbitant profits, and they also query the influence of the huge farmers' co-operative, Vleissentraal which, together with Asokor and Imperial Cold Storage, dominate the meat industry. Reform has so far been resisted, however, by the powerful agricultural lobby, and a commission of inquiry into the industry, set up last year, has yet to report.

Michael Holman

The cattle population has dropped by 1m in three years and the cost of meat rose by 60 per cent last year

MAIZE HARVEST AND EXPORTS

Year	Crop ('000 tonnes)	Exports ('000 tonnes)	Value (Rm)
1974	11,105	607	203
1975	9,096	3,898	303
1976	7,472	3,739	237
1977	9,714	2,087	190
1978	10,081	3,170	282
1979	8,271	3,843	222
1980	10,726	2,796	423
1981	14,333	—	—

Source: Department of Agriculture.

MAIN EXPORTS

(R m)

	1974	1975	1976	1977	1978	1979	1980†
Wool	119	117	174	191	176	183	220
Mohair	10	18	25	24	38	35	26
Karakul pelts	16	17	26	41	55	58	58
Hides and skins	32	26	47	50	69	110	61
Maize	203	303	237	190	282	222	423
Preserved fruit and jam	86	104	122	126	131	157	97
Sugar	233	282	210	233	169	151	387
Citrus fruit	58	110	64	94	115	71	101
Deciduous fruit and table grapes	49	59	83	56	97	123	128
Groundnuts	12	17	8	8	16	21	19

Total agricultural exports 1980: R1,787m (total non-gold exports: R9,705m)
† Preliminary.
Source: Department of Agriculture/Department of Customs and Excise.

Producers not hit by UK membership of EEC

FRUIT
JOHN STEWART

FOR MORE than 70 years fresh fruit from the Cape has been a regular item in the winter budget of British households. About 30 years ago exporters diversified into European markets where West Germany is today the largest buyer.

The principal varieties sold abroad are apples (about 10m cartons this year), pears (about 4.5m cartons), grapes (about 7m cartons), plums (about 1m cartons) and peaches (about 220,000 cartons).

In the three years since Britain completed its five-year transition to full EEC membership few of the dire problems anticipated by Cape fruit-growers in UK markets seem to have materialised.

Quota restrictions, phytosanitary regulations, reference prices and high common external tariffs were expected to deal deciduous fruit exports a heavy blow despite seasonal advantages of southern hemisphere growers marketing during the northern winter-spring. But foreign earnings have continued to grow since 1978 and reached R245m last year.

Provisional estimates of the current export season now drawing to a close, indicate that shipments to Europe and the Middle East may total 20m-22m cartons with gross earnings advancing marginally to about R250m. The main features of last year's export performance were that gross turnover rose from R206m in 1979-80 to R245m, an increase of 18 per cent, notwithstanding a mere 0.5 per cent increase in the number of packages, from 20.7m in 1978-79 to 20.8m.

The increase in export costs was limited to 5 per cent, from R112m to R117m.

As a result, payments to producers rose from R95m to R128m. This represents a 35 per cent increase, which exceeds all previous records.

Favourable rate

A feature of the last season was that growers were able to contain export costs to a mere R117m (R112m), an increase of a mere 5 per cent due to a favourable rand/dollar exchange rate which kept down the freight bill to an increase of only 4 per cent on the previous season. It was unlikely to happen again, because of the strengthening of the dollar.

On the other hand, there was relief in the prospect that a strong dollar would reflect in a downward adjustment of shipping conference lines' currency adjustment factor, now standing at just over 9 per cent. On the 1980 export programme, sea and air freight made up 44 per cent of total export poor expenses.

The 1981 earnings outlook will once again be largely determined by the performance of apples on European markets. Although South Africa is the largest southern hemisphere exporter to Europe, Cape apples do not exert much influence on the price, since out of 70m cartons offered for fresh consumption in the period April to August last year, South Africa supplied only 8m (11 per cent).

The main factor determining price is the volume of apples offered by European growers for fresh consumption, compared with the portion of the crop bought and destroyed by the European community in terms of its intervention scheme.

Although the 1979-80 European crop was 2 per cent bigger than the previous season (and 6 per cent up on the average of the past five seasons), the monthly supply position was 17 per cent down in April, 24 per cent down in May and 42 per cent down in June compared with 1978-79. What happened was that 459,000 tons of applies (25m cartons) were bought and destroyed or turned into stock feed by the European farm authorities. It is understood that the intervention scheme is to be radically amended to weed out inefficient growers and restore a better balance between supply and demand.

European imports up fourfold

WINE
JOHN STEWART

UNLIKE THE wine traditions of western Europe and the Mediterranean whose origins are shrouded in the mists of antiquity, the history of wine-growing in South Africa is assiduously, if dully recorded.

The first vines—of the muscat variety—were planted at the Cape of Good Hope not to establish a source of homely companionship for the stout burgher settlers but as an antidote to scurvy.

By 1655 it appears to have dawned upon the directors of the Dutch East India Company that the vast Spanish and Portuguese seaborne empires, by then in decline, had been founded on something more than skilful seamanship and intrepid commercial will. The Portuguese, it seemed, had a secret fuel which kept their seamen going, and in good health, long after supplies of fruit and vegetables (and sometimes even water) had run out. The secret of their staying power was wine which, according to oenologists, has mysterious combinations of bacteria and minerals that could do the work of vitamin C.

This is not to say, however, that history would have played her cards differently had the Dutch not traditionally shown preference for beer and Jenewer (gin) rather than wine.

It was in fact not until the French Huguenots arrived at the Cape in 1688 that a measure of professionalism was introduced in wine-growing at the Cape. A century later Cape vintners were producing dessert wines of such rare quality that they graced the tables of upper-class dinner parties all over Europe.

The export flow intensified at the outbreak of the Napoleonic wars when French wine sales to Britain were interrupted. In 1811 the British governor, Sir John Cradock, appointed a wine taster to control the quality of export shipments.

Fifty years later, in a portentous move that would be repeated in 1973 with Britain's accession to the EEC, Lord Gladstone summarily abolished preferential tariffs on Cape wines and a terrible gloom descended on the local industry.

Wiped out

This was compounded in 1885 by the outbreak of phylloxera, a terminal vine disease which not only wiped out the Cape wine industry but—in the paradoxical way of natural disaster—also solved wine-growers' surplus production problems arising from the loss of Imperial preference.

By grafting their vines on imported root-stock from the United States local wine-growers rebuilt their industry so efficiently that soon they were back where Gladstone had dumped them—in heavy over-production.

In the cyclical nature of things the South African wine industry, a hundred years on, is wrestling with similar problems. Britain is in Europe and no one knows more about wine protectionism than the wine-drinking mandarins of the Brussels Eurocracy.

And, at home the pattern of consumption has not changed a great deal since the days of founding father, Jan van Riebeeck. Beer-drinking patterns established by the Dutch have been strengthened by the infusion of settlers, mainly from Germany and Britain—since then.

One of the most publicised laments of wine writers in South Africa is the fact that home consumption is a mere 10 litres per capita annually, compared with 130 litres in Italy and slightly less in France.

Wine consumption in the Republic may go over 200m litres this year, but beer is set to break through 1bn litres, stretching by 66 per cent the historical ratio at which it outsold wine.

Despite the competence of viticultural and cellar techniques, South Africa has never been a heavy exporter. At best, no more than 4 or 5 per cent of the crop has been sold abroad with values running to an upper limit of about R12m.

Today the market for South African port and sherry types has been whittled down to about R2m with little prospect of recovery. But there has been a four-fold increase in the value of table wine exported to Europe since 1976. This year sales of R15m are possible if the decline of the rand's rate of exchange against the dollar continues. By volume this represents more than 1m cases (9m litres).

Promising advances have been made too in the international commodity alcohol market. In top secret deals with French traders several million litres of volume-distilled wine spirit were sold in Europe and the prospects of repeats this year were good because of the truncated French wine crop.

Wine-growers, having primed their vineyards to produce increasing tonnages of shy-bearing varietals for which consumers and investors showed heavy preference in the 1970s, consider themselves fortunate if 55 per cent of their vine production is converted to wine.

The rest is consigned to the distillers for the making of wine spirit.

After three successive heavy crops of 6m-7m hectolitres there is a suspicion—precise surplus figures need not be disclosed—that KWV—the central control authority with the status of wine co-operative—may be floating on a wine surplus of about 350m litres.

Last year's boost in white disposable incomes may have pushed the growth of wine consumption to about 9 per cent overall (20 per cent in the traditionally beer-drinking Transvaal) but as a result of price increases the trend may be arrested in the forecast downturn in the economy if there are no further tax cuts for whites and wage rises for blacks.

All types offer value for money

IN FEW countries is the quality differential between high volume vins ordinaire and medium to high-priced wines as narrow as in South Africa.

Most wines are therefore pretty good value for money but few of them have distinct area characteristics. Most whites are derived from a home-grown version of the German Riesling. The indigenous Steen (Chenin Blanc) and the somewhat insipid varietals, clairette Blanche and Colombard.

For my money, whites from the estates Montpellier, the Uniskraal and Twee Jongesellen in the Tulbagh valley are commendable.

Reds on the whole have more character. The grapes used include the full bodied Cabernet Sauvignon, Shiraz and the medium bodied Pinotage—a cross, between the Pinot Noir and Hermitage grapes. The Meerlust estate, quality. Kanonkop and Backsberg are other names to look for in red wine.

When buying reds beware of the year 1977. Of recent vintages 1974 was the best, but vintners agree 1980 noble growths—no maturing—will be better.

Tourists see a different land

ANYONE WHO has tried to get a hotel booking at short notice in Johannesburg or Cape Town recently will vouch for the fact that business in general—and tourism in particular—is booming. The same story is true on domestic airlines, and on the luxury train routes.

After being hammered by the repercussions of the 1976 riots in Soweto and disturbances across the country, South Africa's tourist industry is on its feet again

The number of visitors to South Africa last year was the highest since 1975—702,800 compared with 730,000 in that record year. In 1977, after the riots, numbers crashed down to 589,000. Now South Africa's tourist promoters are confidently predicting once again that they will see two million visitors by the end of the century.

South Africa's greatest attraction is its sheer variety. It boasts not only huge game reserves and Indian Ocean beaches, but mountain resorts, the vineyards of the Cape, and the colourful if chequered history of the gold mines.

In spite of the fact that the only truly lovely city is Cape Town under Table Mountain—Johannesburg is eGoli, the abrasive city of gold, and Durban has never matched the beauty of its beaches with good taste—only one in ten tourists rates the cities as the favourite stop.

But the realities of apartheid—of South Africa's racial separation—take their toll: most tourists must come away without any real impression of the life of the African majority, indeed, unaware that there is a huge majority For permits are required to visit the tribal homelands, and African townships outside the major cities.

Black South Africa for the tourist means tribal dances on the gold mines, a carefully sanitised bus tour of Soweto outside Johannesburg, grubby children clamouring to sell carvings around the gates of the game reserves, and deferential porters and waiters.

Britain top

Britain remains South Africa's largest source of tourists outside Africa, with more than 120,000 coming from there last year—although 40 per cent were visiting friends and relations. Second is West Germany, with almost 50,000, and third the U.S., with 48,000.

Africa still provides the most visitors overall—just over 300,000, although the traditional tourist traffic from Zimbabwe could be badly affected by the introduction of visa requirements at the border.

The most startling growth market has been Latin America, but numbers slumped last year, and they remain relatively small.

Most Latin American visitors came from Argentina and numbers more than doubled to 14,000 in 1978, almost doubled again to 25,000 in 1979 then they lost steam to 19,000 last year. In spite of the setback—a result of the economic situation in Argentina—South African tourist operators are hungrily eyeing the South American market as the area of greatest potential growth.

The game reserves remain the most popular destination, particularly in South Africa's dry winter months, when game viewing is at its best. Scenic beauty and the cities come joint second, and the beaches fourth.

One area enjoying growing popularity is hunting, although it is only for the very rich. Hunting safaris can easily cost $30,000, and trophies are expensive: from R250 for an impala to at least R1,000 for big game like a lion. For the operators it is a lucrative business.

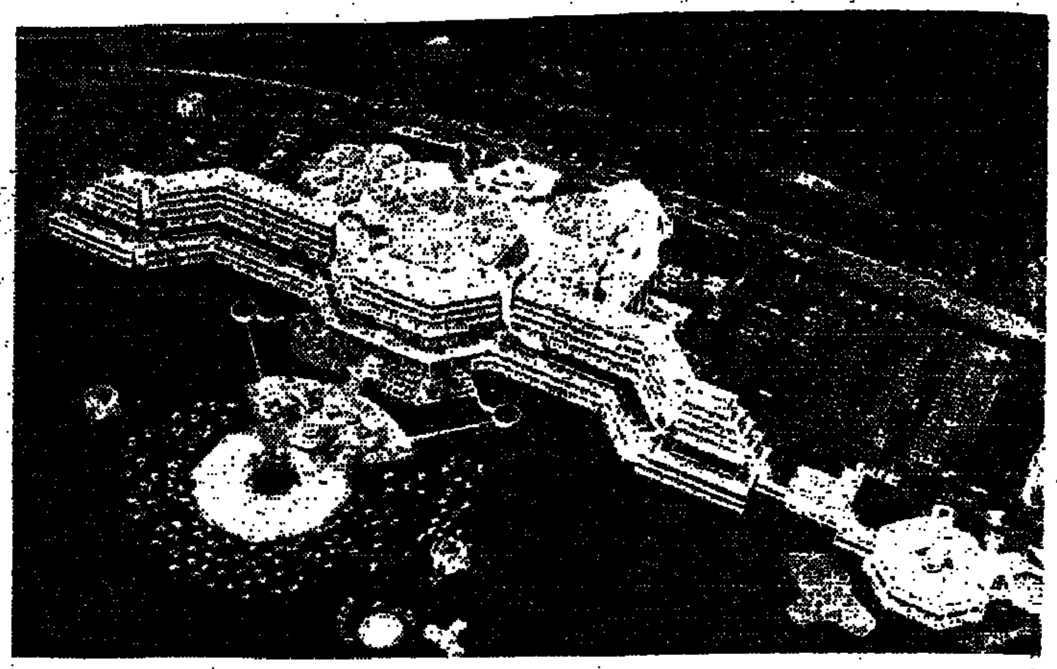
A problem in promoting tourism to South Africa is the startling ignorance of geography displayed in both Europe and particularly America. Many tourists seem to think of Africa as a single destination, so that if there are reports of wars or famine in one part, everywhere else will be affected.

As one travel agent put it: "When there was that trouble in Uganda, we had some resistance from tourists coming here."

Earnings from tourism cannot compete with South Africa's major mineral exports: they nevertheless reached a respectable R476m last year—excluding travel costs of reaching South Africa.

Hotels have pushed up their prices by as much as 50 per cent in the past two years, but South Africa still remains ridiculously cheap to the European and American visitor.

Quentin Peel



Sun City—out of reach of South Africa's morality and censorship laws

A space-age fantasy

SUN CITY

JOSEPHINE SCOTT

ONE HUNDRED MILES west of Johannesburg, where gambling is illegal, a giant hotel boasting the largest casino in the southern hemisphere has been built in the bare veld—a sprawling playground in the middle of nowhere, seemingly hewn out of the mountainside.

It is a space age fantasy called ostentatiously Sun City, a R30m "total entertainment complex." The excuse for its existence is that it is in the independent homeland of Bophuthatswana, and can therefore cater for the more frivolous and risqué tastes of white South Africans—and an increasing number of foreign visitors—out of reach of South Africa's strict laws of morality and censorship.

It has 340 rooms and suites, a theatre seating 620, conference rooms, banqueting hall, a cinema for movies which may be banned in South Africa, and its casino, along with banks of one-armed bandits. On the sporting side it offers tennis (with top professionals as coaches), squash courts, bowling greens, a man-made lake for water sport enthusiasts, a country club, and an 18-hole golf course designed by Gary Player, for the sports-mad South Africans. And finally there is a 150,000-acre game park developed by the Bophuthatswana Government—with a water hole where the animals drink only yards from the hotel.

The fantasy part of this complex is the massive central foyer area of the hotel. You enter from behind the building on the third-floor level. Night and day light is shut out. As wide as a football field, and reaching the full six floors, the impact is all in the lighting, within an incredible complex of light shapes, intensities, textures and reflections merge to create a panorama to take your breath away.

Above the rows of lighting panels fade up into the dome and vanish into darkness. Lighting units in chrome, glass and steel throw their colours across the foyer, reflecting on four lifts with their own moving chain of lights.

The foyer is an octagon, fountains surround each separate lounge area, framed by a walk-away which circles the area. Leading from the eight sides of the foyer which sink down to the 250 one-armed bandits are the entertainment areas of the hotel's lavish night life. The reception area is interspersed with shops and restaurants serving excellent French cuisine.

A new R25m entertainment centre is now being built, to be ready late this July. The entertainment centre is emerging as a pleasure palace of vast proportions and amazing futuristic design concepts — whether you like it or not.

This combination of resort hotel, casino, country club and nature reserve is an extraordinary commercial success, drawing visitors in their thousands. The hotel is fully booked for months ahead.

Visitors fly in for dinner and the show, gamble in the casino and fly home again at dawn. Other visitors motor up for the day to gamble in the casino and on the one armed bandits, and sleep in their cars in the early hours when the hotel is full.

INFORMATION:

Comair runs a daily flight from Jan Smuts airport to the hotel air strip. The journey takes 30 minutes — leaving Johannesburg at 6.30 pm returning at 1 am. Transfer to hotel from the air strip is by hotel bus.

A bus service runs daily from Johannesburg to Sun City the journey taking 2½ hours.

Further information can be obtained from Southern Sun, Albany House, 324 Regent Street, London W1R 5AA.

Visitors flock to wildlife

GAME PARKS

JOSEPHINE SCOTT

THE WEALTH of wildlife in South Africa's game reserves still provides the country's most popular tourist attraction.

It possesses one of the best-known of all wildlife sanctuaries, the vast Kruger National Park, a bush veld area set aside as a conservation area — in the face of bitter opposition — by President Paul Kruger in 1898.

Since then, South Africa has proclaimed nine other national parks, ranging from the Kalahari Gemsbok National Park in the semi-desert along the Botswana border, to the Mountain Zebra National Park in the Great Karoo and the Addo Elephant National Park in the Eastern Cape.

The Kruger National Park and the Kalahari Gemsbok Park between them contain almost every variety of wildlife species native to South Africa — including 17 species of antelope and carnivores such as lion, leopard, cheetah, hyena, cape-hunting dog and jackal, as well as elephant, buffalo, giraffe, zebra, hippos and crocodile in vast numbers.

The next most popular parks are those in Natal, home of the rhinoceros: the Umfolozi and Hluhluwe Game Reserves, and the smaller and more remote Mkusi and Ndumum reserves.

There are 13 rest camps in the Kruger Park, several with their own shops, restaurant, and petrol stations, and the reserve has hundreds of miles of roads, much of it now tarred.

Kruger National Park, established by President Kruger in 1898, is the best known of the country's 10 game reserves

You can fly direct to Skukuza, the Kruger park's most luxurious camp, overlooking the Sabie River. You can fly at grass root level so you do not miss a single detail even if it is a little hair-raising. This is exciting country where high escarpments drop suddenly down to the wide expanse of the Kruger park.

On landing you are met by a game ranger/guide, and whisked away in mini buses to the camp and the individual thatched huts.

The best times for game-spotting are dawn and dusk. You set off with your guide just after first light when the gates are opened—they are shut at sundown to keep humans in and animals out.

If you are lucky you will see tree top browsing giraffes, harems of glossy impala does, often numbering up to 50, kept under the watchful property eye of a single young buck.

Grey baboon families are early risers and can be seen having a breakfast of berries. Much else is to be seen: the landscape, vegetation and bird-life. The rugged umbrella of the thornbush casts tattered shadows on the bleaching grass. The poetry of Africa is in its colour and silence.

INFORMATION

Comair offers fly-in safaris to the game reserves, from both Johannesburg and Durban. South African Railways have coach tours taking in all the game reserves and all tourist attractions.

You can hire a self-drive car and drive to Kruger staying at one of the hotels outside the camp if preferred. SA Tourist Corporation, 13, Regent Street, London SW1Y 4LR.

Service at its best

THE BLUE TRAIN

JOSEPHINE SCOTT

Train travel is big in South Africa. It is certainly the best way of experiencing the vastness and bewildering contrasts of the landscape.

The pride of South African Railways is one of the world's great expresses, The Blue Train. It cannot compete with air travel or with ordinary train travel in terms of cost—but it can compete with both in terms of space per person, comfort, cuisine, quality and service.

The facilities offered are 24-hour service, and a bar that is open for 14 hours a day. There is an internal telephone system for accelerated service, and air-conditioning to maintain your comfort.

Completed in 1972 at a cost of more than R5m, the 16 coaches provide the passenger with ultimate comfort. The furnishings are in blue and gold: gold in the luxury coaches and blue in the semi-luxury and standard coaches. Windows have a golden reflective glass and electrically operated Venetian blinds.

Great attention has been paid to detail. Every compartment has a compact built-in wardrobe, and carriages are carpeted throughout. The luxury compartment on the train is a three-roomed suite comprising lounge, bedroom and bathroom, while semi-luxury is also a suite with its own shower.

The Blue Train on the outskirts of Johannesburg

INFORMATION:

There are four categories of accommodation to choose from, ranging from the luxury suite to the standard luxury compartments.

The train leaves Johannesburg on Mondays and Wednesdays at 11.30, arriving in Cape Town the following day at noon. Leaving Cape Town on Monday and Wednesday at noon, arriving in Johannesburg at 12.30 pm. Fares range from R300 to R165 per person—including all meals and bedding, but excluding bar service.

Other fine trains include the Drakensberg Express—from Johannesburg to Durban—and the Trans-Karoo Express to Cape Town.

A style of its own

THE CAPE

JOSEPHINE SCOTT

THE ARCHITECTURE of the Cape—Cape Colonial, or more commonly known as Cape Dutch—was described by Ruskin as "the only real contribution to domestic architecture for several centuries."

It is a distinctive style, both simple and decorative, homely yet gracious. Its genesis lay in Europe, but it was developed under the warm sun and in the wide, unpeopled landscapes of the south-western tip of Africa, and its finest examples are found in the fertile valleys and on the purple mountainsides of the Cape.

Cape Dutch is essentially a folk architecture, appropriate to the climate, and to the needs of the wine farmer. It reflects the hospitality of the colonists, and the great distances that had to be travelled from one centre to another.

The wine farms of Stellenbosch and Paarl boast avenues of shady oaks, pools and fountains in their courtyards, and vines blooming on the walls. Within easy reach of Cape Town, one can sample wines in ground floor cellars, and dine in Cape homesteads like Kronendal or Boschendal, and stay or lunch at the Lanzerac hotel in the old university town of Stellenbosch.

The vineyards all lie within a 100-mile radius of Cape Town, around the original settler towns of Paarl, Stellenbosch, Franschhoek—where the French Hugenots settled—and further afield at Tulbagh, Worcester, Robertson, Swatrland, Piketberg and Olifants River.

In Stellenbosch, home of the premier Afrikaner University, the authorities had the foresight to require all settlers to plant oak trees—although the plan, to use the wood for wine casks, backfired, because unlike European oak, the local trees failed to produce a dense enough wood for the purpose.

Paarl is known for its quality wines—it has the headquarters of the wine industry, the KWV at La Concord—its extensive vineyards and stately homesteads. It was also one of the earliest centres of the Afrikaans language, and is now the site of a startling modern monument to that fact.

Nederburg is probably the best known wine farm in South Africa, and home of an annual auction of vintage wines conducted by Sotheby's. The homestead has been restored to receive visitors in the traditional way—with a glass of wine, and a walk through the impressive cellars.

There are four wine routes which a tourist may follow to explore the estates: The Paar and Breede river routes, a new one in the Robertson area, and the oldest and perhaps most interesting around the vineyards of Stellenbosch. The last is made up of 12 estate wine cellars and four co-operative wineries, all within eight miles of Stellenbosch—a challenge to the hardiest oenophile.

Arthur Sandles says that British cinema may be in decline, but the video horizon is bright

Britain's film industry: life after death

LAST WEEK the Cannes Film Festival was once again its idiosyncratic self. But, for many observers of the giant screen, there is a growing suspicion that the party is over. What was once a celebration is now a wake. The cinema may not be dead, but in Britain at least its pulse is growing weaker by the minute.

It is, of course, crucially important to differentiate between the film business and the cinema. The film industry, or at least the audio-visual industry, is thriving. Money is being poured into almost every form of video, except the cinema. Britain's facility houses — small studio centres producing everything from television advertisements and spectacular feature film sequences to television drama and educational films for commerce — are bursting with business and growing in number. But in the cinema it is a different story.

The silver screen long since ceased to be able to support the film business upon which it relies for product. In the British market that point was probably reached in the late 1960s. Regular production of films aimed entirely at the British cinema, such as the Rank-backed Carry On series, began to peter out. Today, British-made and British-backed films tend to be destined for an international market, and films which have a purely British horizon are rare.

Rank's disenchantment first showed with major film production but it is now also open to offers for its individual cinema sites but not, it insists, for the whole chain.

Overall film attendances in 1980 were 10 per cent down on those of 1979, and only just topped the 100m mark. The fall in the previous year had been 12 per cent. In 1970 there were 250m cinema customers in Britain; in 1950, the golden age, the figure was 1.5bn.


In 30 years, film attendances in the UK have fallen from 1.5bn to 100m. Many High Street cinema halls have been put to new uses

With the average cost of a feature film these days standing at around £4m and the industry rule-of-thumb being that a film must gross at least twice its production budget before coming into profit, the British cinema is now only big enough to support the production of 25 pictures. In any one week there are more than 50 different films being shown in central London alone.

For a business which is supposed to be dying there are, nevertheless, remarkable signs of life. It is an industry which can still attract huge investment for what is by its nature a highly speculative product. The gap between success and failure is huge and growing larger. With more and more films being "hyped," producers are increasingly faced with glittering success or appalling failure. A much promoted comedy like Stir Crazy from Columbia has taken more than $100m in North America alone so far.

At the other end of the scale United Artists is still struggling with the prospect of huge losses on Heaven's Gate, which cost $40m to make; was withdrawn rapidly after first showing, and in its revamped version has received a critical bruising.

Increasingly, however, it is video which is providing the bedrock. With careful pre-selling and good exploitation of video residuals film-makers can secure a degree of insurance against total failure.

Video residuals is one of those buzz-words which new industries develop for themselves. It simply means the money that can be made from activities other than those intended by the prime makers. Thus, if a film was made for the cinema, its sales to cable, cassette or broadcast television are "residual."

Residuals are, however, proving to be more than just a crumb falling from the entertainment table. Videocassette sales in the UK this year may be worth some £30m, which is why mass retailers like W. H. Smith have been drawn in. The £30m figure may be modestly low since there could be more than 800,000 videocassette units in use by the end of this year. It has been suggested that by the mid-1980s there will be more than 13m videocassette and videodisc units in use in American homes.

Unfortunately, the transition from large screen to small screen is not proving a painless one. As in so many other industries, the words New Technology are not entirely welcome. Hollywood was brought to a virtual halt last autumn by a strike of actors (remember that wait for the crucial Dallas episode?) and has recently been suffering the consequences of a writers' dispute. In both cases the root of the problem is the amount of money to be paid to creative artists fro mthese residuals.

In Britain many major film names are pleading for Government intervention while the transition takes place, claiming that television is expanding on the back of the film industry and as it grows it is destroying that original base. The Boulting Brothers, Bryan Forbes, Harold Pinter, Lord Miles and Kenith Trodd are among those who signed a letter to Government pointing out that television is not, at the moment, investing enough in the film business that it is rapidly killing.

"ITV last year showed 328 films made originally for the cinema; over the last Christmas holiday period alone, the BBC proudly proclaimed the transmission of over 60 feature films," said the letter. "Both networks *freely* acknowledge that the cost of their producing entertainment of comparable variety, quality and appeal would be enormously greater than the sums they have paid over the years for cinema films.

"In the light of this situation, the revenues received by film makers from television heretofore have been derisory."

Their case is that television should pay considerably more to film-makers, probably in the form of some sort of levy similar to that currently imposed on cinema ticket sales (the Eady Levy which, in broad terms, takes a slice of all cinema income and returns it to domestic film-makers).

With the UK cinema market now so small and television and video receipts not yet big enough to take up the slack British film-makers—that is the makers of full-scale feature films—are concerned that they will be swamped by Hollywood and competition from films they themselves made years ago and which are now on television.

In the strange and sometimes *seemingly* contradictory world of British audio-visual entertainment at the moment the feature film makers are in distress, as are the cinemas, while the smaller facility houses are busy, and more of them are opening every month. So while the Fourth Channel starts its first commissioning from independent producers—the first few contracts are for plays and drama series—and video cassette companies scramble to make educational and promotional products, the major film studios are increasingly quiet.

That pulse-taker of the industry, Screen International, reports that in March of this year there were only five feature films in production in Britain, compared with 17 in the same month of the year before. In April the total rose to seven, but it had been 10 a year earlier.

Many of Britain's film-makers place the responsibility for much of the decline on the two major circuits, EMI (now Thorn-EMI) and Rank. Between them they have nearly 300 cinemas (EMI has around 20 more than Rank) with nearly 600 screens. Both are currently under investigation by the Monopolies Commission. There are another 500 small chain cinemas and a similar number independently owned.

The latest issue of the magazine of the Association of Independent Producers says: "The main problem with the British circuits lies in a booking policy that is totally insensitive to the audiences for which they supposedly cater." The big chains have little contact between cinema managers and head offices about local tastes, it is claimed.

The producers can point to some independently owned cinemas which, by sensing the tastes of their audiences, have performed well against a depressing industry average.

There are signs that after years of worrying about the future and looking to Government for the sort of help that industries in other countries receive, the British film and television business is in the mood to take a more aggressive stance. Sensing that the revenue for major expansion might be available soon as various new television systems come into being, almost every major film and television interest in Britain has joined a new body, the London Screen Market Association.

The idea is for London to have its own sales festival to rival the Cannes film and television functions and the American Film Market. The London event, to be held in St. Katharine's Dock in September 1982, will attempt to bridge the film-television gap under the title of the London Multi-Media Market.

At the moment, the major film-makers' problem is that the cinema no longer has the funds to support them and television is similarly unable, or unwilling, to take up the burden. The new video forms are extraordinarily hungry for product but, like the chicken and the egg, they will not receive revenue until they have material, and without material they cannot hope to make sales.

Getting the film-makers through the next few years may be difficult, but most see a light on the horizon.

In the past few weeks several major film-makers have told me that in the not-too-distant future the cinema will probably become a showcase for video-product and a specialist outlet for people who still prefer to have an evening out. It will not forever remain a major source of revenue. As Mr. Kenneth Rive, of Gala Film Distributors, says: "The future will lie very much in television, video, cable and any other system except, regrettably, the cinema screen."

Letters to the Editor

Athens must be saved

From Professor J. Koumoulides

Sir,—As a resident of the city of Athens may I comment on Mr Victor Walker's article "A Cloud obscures Rallis's election chances" (May 19). Pindar once described Athens in glowing terms—"O glorious Athens — shining, violet-crowned, worthy of song, bulwark of Greece, city of the gods." Modern Athens may still be the bulwark of Greece, but it is no longer shining, nor is it violet-crowned, but rather smog-covered, and it is debatable whether it is still worthy of song. From the Acropolis and Lycavetos one looks down upon a sprawling concrete jungle, grey and offish-white in colour, that stretches over the once lovely plain of Attica.

When Lord Byron visited Athens in 1809 it was a pleasant little town of approximately 5,000 inhabitants. By 1879 the population was about 63,000, and by 1916 167,000. In 1942 the population of Athens was just under 400,000. But after World War II with more and more Greeks leaving the provinces for the capital city the population increased and by 1961 Athens, including Piraeus and other suburbs, had roughly 1.85m inhabitants. By 1971, the figure was over 2.54m, and by 1981, the date of the last census, more than 3.5m inhabitants. This is indeed a most unhealthy and dangerous situation.

Recent publicity given to the plight of the Acropolis provides a melancholy picture of the danger of pollution facing both people and ancient monuments. Athens is an overcrowded, heavily polluted city where human beings and motor cars desperately compete and get in each others way with dangerous results for humans of course. Drastic measures are desperately needed to save the city from certain "death."

May I suggest the following steps to the Greek authorities: stop the construction of architecturally unattractive large luxury hotels: Athens has too many anyway. Decentralise governmental bureaucracy. Save the areas of Mount Pendeli, Mount Parnis, and Mount Hymetos. Create more parks and stop the construction of new government, or privately financed public buildings. Limit the flow of traffic in the city. Save the area of Plaka. All the above may be accomplished not with the passage of new laws—there are too many in the books now—but with the immediate and strict enforcement and application of existing laws.

The different political parties should not make the problem of Athens an issue in their political orations and cacophony, but rather they should joint their efforts to save the dying city. Now as never before in its long history Athens is at the mercy of the people of Greece. A city which has survived the passage of time and people, wars, and the catastrophic nature of man, is now falling victim to progress (pollution) and the selfish nature of Greek individualism. Athens must be saved and can only be saved by the people of Greece. The future of Athens is the future of Greece. The ancient Greeks gave to the world a great city and the modern Greeks must see to it that it is saved for the future.

(Prof) J. T. A. Koumoulides
Campion Hall,
Oxford.

Freer choice in broadcasting

From Mr R. Collins

Sir,—The arcadia of market freedom invoked in your editorial "Freer choice in broadcasting" (May 20) is likely to prove as chimerical in broadcasting as elsewhere.

It has been fortunate for British broadcasting that technologies available until now necessitated restriction on the supply of TV channels and consequential regulation of flow. For where market freedom has obtained the plurality of channels and programme sources has meant that audiences have been fragmented, revenue per viewer has fallen and transmission has become more and more reliant on cheap programme material; either from "community" groups or more often from the American major producers. Thus an increase in the plurality of information sources tends to reduce the diversity and quality of programmes offered.

Many will join with you in deploring the paternalism endemic in the BBC and IBA, but it is to better accountability to the public broadcasters serve—and to increased international co-productions with other public service broadcasters—that we should look to remedy the faults of the present British broadcasting order. Not to the chimera of deregulation and market freedom, whether that rides on the back of satellites or of cable.

R. Collins (Senior Lecturer, Media Studies),
The Polytechnic of Central London,
School of Communication,
18-22 Riding House Street, W1.

Auditors' fees

From Mr. J. Chaytor

Sir,—It was with interest and certain nostalgia that I read the article on audit fees in your issue last Tuesday.

It was nearly eleven years ago, through the valuable space of your columns, that I first questioned audit fees paid by industry and commerce. Permit me to quote: "Generally such fees increase by ten to twenty per centum each year and without comment. If the same control of expenditure is exercised as regards other costs it is hardly surprising that so many Chairmen continually complain about increasing costs."

Perhaps I was a little ahead of time but where do we go from here, and what action should be taken? In brief I believe that all audit fees should be an agreed predetermined figure approved by shareholders at the general meeting held during the year of the audit. Overruns should be approved at the subsequent meeting and the necessary reasons given. I do not believe that similar increases in audit fees are being borne by the generally more efficient private companies. In the latter it is the proprietors rather than the general public's money that is being expended. If finance directors were spending their own money rather than the investing public's then I believe that their financial stewardship would be much improved.

Jonathan Chaytor
Martins Building,
4, Water Street, Liverpool

Small points of principle

From the Chief Executive, The Post Office Staff Superannuation Fund

Sir,—Lex on May 21 said that institutions were far more easily excited by small points of financial principle than by gross deficiencies of industrial management. My institution is concerned at both and I believe most others are too.

I don't, however, regard the repayment of a mortgage debenture at less than par by Tate and Lyle as a small matter of financial principle. When it issued the debenture, the company promised that if it became redeemable it would not be repaid at less than par.

It was, of course, for the debenture holders to decide whether they would accept the offer of repayment below par, and this they did—by one vote. I am sorry that they did so, sorry that the company asked them to and sorry that the company's advisers so advised it. It was not a helpful step towards reviving the debenture market—as Lex rightly underlined.

Ralph Quartano,
Equitable House,
47-51, King William Street, EC4.

Gateway airport on Severnside

From the Chairman, Gwent County Planning Committee.

Sir,—Mr Michael Donne, your aerospace correspondent, reported (May 13) on the advantages of a fifth terminal at Heathrow would have over the British Airport Authority's proposed major development at Stansted. Such a proposal is extremely short-sighted, delaying only for a few years the day when a decision must be made on a third international airport for the southern part of the UK.

My authority is convinced that a decision taken now to build an international gateway airport on Severnside, on the estuarine levels between Newport and Chepstow in Gwent would avoid many of the problems of further airport development in the south east, and would provide the foundation for a long-term national airport development strategy. The proposal has the support of the district and community councils in the area, and has strong support elsewhere. It has already been put to the Government through the Gatwick inquiry last autumn, and will I hope be further debated at the Stansted inquiry this year.

It makes sense in regional policy terms to create 60,000 jobs in an area where new jobs are desperately needed. It makes sense to direct airport development to a coastal location where noise, agricultural land-take and landscape and building problems can be minimised. It makes sense to develop in the west of the country outside the already congested airspace of the south east, and where the approaches are over the sea. It makes sense to develop in Gwent which not only has all these advantages but which also has direct links into the national motorway and high-speed rail networks.

Severnside is no newcomer to development proposals of national importance. It was one of three sites in the UK found most suitable for maritime industrial development area development. Studies in the late 1960s demonstrated that major population growth could be accommodated here. The examination of a Severn barrage capable of generating one-tenth of the country's electricity is very much a live issue today.

I believe that the potential of this part of the UK to contribute to the economic regeneration of this country is enormous. A decision to locate an international gateway airport here would be a step towards realising that potential. The time is over-ripe to reconsider the Barlow Commission's work on the national distribution of population and industry. An international airport on Severnside could serve the south east of England and also serve as an alternative growth generator in the west.

The present pressures for south bank office growth can only be harmful to total environmental conditions in the south east and we need to think very seriously about the national—as distinct from regional or local—opportunities which exist for getting new economic growth satisfactorily linked to social and environmental factors.

F. A. Edwards.
County Hall,
Cwmbran, Gwent.

Company pension schemes

From the Chairman, Society of Pension Consultants

Sir,—The director general of the National Association of Pension Funds in his letter to you (May 14) about member participation in the running of company pension schemes referred to the need for bodies more professionally involved in the employee relations field to help tackle the problem of giving guidance on the complex practical issues which arise in introducing member participation.

The Society of Pension Consultants wholly agrees with this and would like to see a study made and a publication issued by a group of organisations, those professionally involved in the industrial relations field and the pension organisations, in which of course the Society would be glad to take a part.

The society strongly supports the principle of member participation, and issued a publication of its own on the subject three years ago; but there is no doubt that an authoritative code sponsored in the manner suggested above would help greatly in getting member participation already widely supported in principle, and to an increasing extent in practice, more universally adopted.

(Sir) Donald Sargent.
The Society of Pension Consultants,
Ludgate House,
Ludgate Circus, EC4.

Today's Events

GENERAL

UK: Crown Agents publish annual report and accounts.

Council of Civil Service Unions major policy committee discusses action over pay claim.

Mr. John J. Louis Junior, U.S. Ambassador, speaks at Pilgrim Society dinner, Savoy Hotel, WC2.

Overseas: Lord Carrington, Foreign Secretary, begins two-day visit to Algeria.

Sir Keith Joseph, Industry Secretary, starts ten-day tour of U.S. to encourage American companies to invest in Britain.

Organisation of Petroleum Exporting Countries meeting, Geneva, continues to discuss pricing policy.

General election in the Netherlands.

Foreign Ministers of six Arab regimes start two-day meeting, Abu Dhabi, to inaugurate Gulf Council for Co-operation.

Mr. Edward Shreyer, Canada's Governor General, starts four-day visit to Norway.

OFFICIAL STATISTICS

New vehicle registrations for April published by the Department of Transport. Central Statistical Office releases the first quarter preliminary estimate of gross domestic product based on output data.

COMPANY MEETINGS

See Week's Financial Diary on page 24.

COMPANY RESULTS

Final dividends: Percy Bilton. Cakebread Robey. Energy Services and Electronics. John Foster and Son. Porter Chadburn. **Interim dividends:** BOC International. Kelsey Industries. Scottish Investment Trust. Scottish National Trust. Reo Stakis Organisation.

LUNCHTIME MUSIC, London

Organ recital by Margaret Phillips, St. Lawrence Jewry-next-Guildhall, Gresham Street, EC2, 1.0 pm.

Violin recital by Hans-Christian Eisler, St. Vedast alias Foster, Foster Lane, EC2, 1.10 pm.

DAVID FREUD DISCUSSES BOOTS' EXPANSION PROSPECTS

New management team at the crossroads

AFTER Robin Hood and D. H. Lawrence, the Boots drug and retailing company must be the best-known offspring of the City of Nottingham. Over the years it has developed into one of the most profitable retail chains in the UK. Alongside the UK retailing arm, which comprises Boots the Chemist and the smaller Timothy Whites, it has built up a powerful worldwide position in the manufacture of anti-rheumatic drugs.

But the company is now standing at a crossroads. On Thursday Sir Gordon Hobday, chairman since 1973, said that he was retiring at the end of the year. His announcement follows the departure in recent months of two leading executives, Mr. Alan Spencer and Mr. Douglas Appleby, both of whom are more than 60 years old.

So Boots now has a brand new set of top managers. And they are faced with the problem of finding new areas in which to expand, if they wish to maintain the growth in profits which the company has been accustomed to enjoy.

In a curious way the position harks back to the early 1970s, when it seemed that the company was never out of the headlines in its search for acquisitions.

In 1972 it battled with Beecham to take over the drugs company Glaxo, making an offer of £381m. Both bids were referred to the Monopolies Commission and rejected.

So in the following year Boots had another go, this time making an agreed bid, worth about £220m for the House of Fraser. The reason for this bid, and presumably the previous one, was the need to keep growing.

Sir Gordon explained, at this time, that Boots was faced with some difficulty in maintaining in future years the momentum of sales increases which the company had become accustomed to unless it expanded its merchandise base.

Nevertheless, the proposed merger with House of Fraser ended in tears when Boots pulled out due to the collapse of the Stock Market at the end of 1973 and early-1974. And anyway, the Monopolies Commission subsequently ruled against it.

But it seems that Sir Gordon was wrong in arguing that acquisition was the only route by which Boots could go on expanding. For in fact the company has been able to double the number of stores it operates in the UK since 1973 to about 2,300, and selling area has increased even more sharply.

But it does not look as if trading profits in UK retailing have kept pace with the rate of physical expansion. In the year to March 1973 the contribution from UK retailing was probably in the region of £45m, while in the year to March 1981 the contribution was a shade below £80m, an increase of about three-quarters.

And now the scope for significant worthwhile expansion is more limited than proved the case in the early-1970s. The company is now selling merchandise as remote from its chemists' base as records and handbags. But it is proving vulnerable in these higher-margin areas, and in the latest year it may even have lost market share.

What seems to be happening is that the more it expands its merchandise base, the more it comes into conflict with other chains doing exactly the same thing, such as W. H. Smith. So the returns from investment in further physical retailing expansion in the UK do not look particularly attractive.

So far, at least, the company does not seem to have been able to export its UK retailing success. It has taken over a couple of sizeable concerns in North America in recent years, but neither is producing anything much in the way of profits. Overall, the overseas retailing operations produced a loss of £2.4m last year.

As the takeover bid for Glaxo indicates, the other main area in which Boots sees growth is in manufacturing drugs and connected consumer products. Over the last decade it has done well here on its own, with the big boost to profits coming from anti-rheumatic drugs.

Brufen was the first of the drugs, producing healthy profits, particularly in the second half of the 1970s. Many observers believed that a similar boost to profitability would come as the more sophisticated drug Froben went on sale round the world.

But the pharmaceuticals industry has been having a tough time of it in recent years, with long delays in getting approval to begin selling in different countries and fierce price competition. With Brufen's profits falling, it looks as if the role of Froben will be rather to defend Boots' profits and market share in this territory than to produce real gains. Meanwhile, the company does not seem to have any other significant new ethical drugs on the horizon.

The final area in which Boots has been expanding has been in agrochemicals and fertilisers. Last year it merged its operations in this field with those of Fisons to form a joint venture called FBC Holdings which is the dominant UK producer of herbicides and pesticides.

So what will Boots do next? If it wants to make a big acquisition it can certainly afford to do so. Net cash in the balance-sheet at the year-end was about £27m, while the market capitalisation is nearly £900m.

Some clues may be given by the fact that the new chairman, Dr. Peter Main, has come up through the ranks of the manufacturing side of the group.

However, he says that he is very keen on developing both sides of the business and admits that the Board is currently devoting a great deal of time to considering its strategy.

"Acquisitions are always a possibility," he says.

One possible target is the troubled Fisons group, though the Boots Board may well have decided already that the difficulties outweigh the potential benefits.

The trouble is that if Boots goes for another big UK retailing chain or drug company it risks running into Monopolies Commission problems again.

So it may well be that any move the Board decides to make could represent a step into the unknown. This uncertainty is the reason the shares have been trading on the Stock Market over the last year or so at less than enthusiastic price levels.

Headlam Sims beats forecast

Compared with a forecast of some £250,000, Headlam Sims and Coggins, footwear manufacturer, ended the January 31 1981 year with taxable profits at £300,175, although they were down from the £389,110 of the previous year.

At the interim stage—profits were £202,419 against £193,731—the directors also expected sales to be of the order of £4m for the full period. In the event they amounted to £4.46m (£4.39m).

Mr A. H. Coggins, chairman, says the current uncertainties make it difficult to forecast with any accuracy the likely results for 1981-82, but he believes "we can look forward to a year no less successful than the one just concluded."

From earnings per 5p share well up at 14.4p against 6.82p, the dividend is effectively increased to 2.37p (2.16p) net with a final payment of 1.27p, as forecast. The directors confidently expect to maintain the distribution in the current year.

Sales of R. Coggins and Sons, the industrial and sports footwear subsidiary, did not fall away to the extent that was expected at midway, and in the full term only 10 days' production was lost, the chairman states. Figures for the first quarter of this year are at a similar level to 1980 and if maintained, the company is expected to perform at least as well as last year.

The first full year of operating out of the new Corby warehouse has proved beneficial for Simlam, the sports and footwear distributor, in achieving cost reductions and a more efficient control of the company's activities.

Ne wlines were introduced in February and sales to date show a marked increase over the same period last time. An improvement is expected from this company, Mr Coggins says.

After a tax credit of £122,490 (£187,284 charge), an extraordinary credit, last time, of £44,668, and preference dividends, £2,800 (same), the attributable balance came through ahead from £243,694 to £419,565. Ordinary dividends will absorb £69,125 compared with £63,000.

Group net assets increased from £1.94m to £2.04m giving a book value of 68.24p per share, before allowing for contingent liability of deferred tax.

On a CCA adjusted basis pre-tax profit is reduced to £117,091 (£190,772).

SPAIN

May 22	Price	+ or –
Banco Bilbao	305	– 3
Banco Central	355	
Banco Exterior	290	+ 2
Banco Hispano	284	– 8
Banco Ind. Cat.	123	
Banco Santander	335	
Banco Urquijo	188	
Banco Vizcaya	321	– 3
Banco Zaragoza	322	+ 4
Dragados	176	– 3
Espanola Zinc	77	
Fecsa	67.5	
Gal. Preciados	46	+ 3
Hidrola	71.7	– 0.8
Iberduero	59.5	– 2.2
Petroleos	109.5	– 3.5
Petroliber	90.5	+ 1.5
Sogefisa	79	
Telefonica	65.7	+ 0.5
Union Elect.	70	– 0.7

Bonus increase by National Provident

National Provident Institution has announced an immediate increase in terminal bonuses on assurance and personal pension policies.

Reversionary and terminal bonus declarations were made at the end of last year but since then, the company said yesterday, its investment experience has continued to be favourable.

"We have decided to pass on these benefits to holders of maturing policies immediately rather than defer any change until the declaration at December 31, 1981."

The effect of the increase is that a ten-year endowment policy—sum assured £10,000, maturing now at age 60—will pay a sum of £16,440 against £16,090 for a similar policy maturing earlier this year.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims—BOC International, British Car Auction, Kalsey Industries, Scottish Investment Trust, Scottish National Trust, Reo Stakis.

Finals—Percy Bilton, Cakebread Robey, Energy Services and Electronics, John Foster, Porter Chadburn.

FUTURE DATES

Interims—

Dundee and London Inv. Tst. June 17
General Stockholders Inv. Tst. May 27
Nottingham Brick June 17
West Rand Cons. Mines June 3

Finals—

Beecham June 4
British Benzol Carbonising June 12
Buffelsfontein Gold Mining June 3
Century Oils June 4
Clydesdale (Transvaal) Colls. June 3
Evans of Leeds June 23
Findlay Hardware May 28
Gnqualand Exploratn. and Fin. June 3
Grootvlei Proprietary Mines June 12
Marievale Consolidated Mines June 12
Stilfontein Gold Mining June 3
Trans-Natal Coal Corporation June 3

FT Share Information

Consolidated Foods Corp. (Section: Americans).
Hydro-Quebec 15 per cent Loan Stk. 2011 (Foreign Bonds).
Imperial Continental Gas 8 per cent Conv. Uns. Ln. Stk. 1995-2000 (Oil and Gas).
Munton Brothers (Textiles).

Technology placing

THE PROSPECTUS for Murray Technology Investments, a new £10m investment company, is published today. The issue consists of 10m ordinary 25p shares at 100p per share, though only 3m will be placed with the market.

The rest will be held by four Murray Johnstone investment trusts (6m) and three large insurance companies (the remaining 1m).

About half the shares held by the other Murray Johnstone trusts will be exchanged for the bulk of their holdings in certain unlisted companies operating in the high technology area.

Murray Technology will therefore start with 32 per cent of its gross assets in unlisted companies.

Murray Technology is the second vehicle to take advantage of the relaxation of Stock Exchange listing requirements for investment companies. The new rules have allowed Murray Johnstone's new venture to obtain a quote without a five-year record and at the same time avoid the limit on unquoted shares imposed on conventional investment trusts.

TOZER CHIEF HAS 10.3% OF COMPANY

Mr. Kenneth Thorogood, chairman of Tozer Kemsley and Millbourn (Holdings) has become the largest single shareholder in the trading and motor sales group with the purchase, for nearly £2.8m, of 4.98m shares (9.3 per cent) from Barclays Bank International at 56 1/16p each.

This brings Mr. Thorogood's stake up to 5.51m shares, or 10.3 per cent.

SHARE STAKES

Birmingham Mint — Morgan Grenfell special exemption fund holds 145,000 shares (7.21 per cent).

Hawtin—P. G. Holdings has sold 900,000 shares of which 401,000 have been acquired by Dovey Holdings, South Wales.

Ellis and Goldstein (Holdings) —Prudential Corporation now owns 5.16 per cent of the ordinary share capital.

G. R. (Holdings)—The Border and Southern Stockholders Trust now holds 326,500 shares (7.9 per cent).

BPC—The trustees of the BPC senior executive share purchase scheme have sold 544,000 ordinary shares at 15p each. These shares were purchased by Mr. Robert Maxwell, director, at 15 3/64p each, bringing Mr. Maxwell's personal holding up to 617,843 ordinary shares and the holding of Pergamon Press (and affiliates including Mr Maxwell) to 92,172,857 ordinary shares, 77.4 per cent of the issued ordinary share capital.

Huntleigh Group — P. C. Epstein, director, has sold 60,000 shares. R. Sebild, director, has sold 40,000 shares.

Lowland Drapery Holdings—Ronald McNeill, director, has sold 154,000 shares.

Allied Plant Group—Bishopsgate Nominees (South Yorkshire Pension Fund) have acquired 100,000 shares, making their holding 1,000,000 shares (6.67 per cent).

Phicom—Laurance, Prust and Company yesterday sold on behalf of Magnum Corporation Berhad 1,635,329 8 per cent cumulative redeemable preference shares of £1 each nil paid in Phicom (63.54 per cent).

Hicking Pentecost and Company—Midland Bank Trust Company holds shares as follows: 210,000 for Allied Hambro High Yield Fund, 100,000 for Gartmore High Income Trust, 27,970 for Gartmore Extra High Income Trust 70,000 for Schlesinger Extra Income Trust; Williams and Glyn's Bank, trustee and tax division, holds 185,000 shares registered in name of W. G. T. C. nominees, HBI account, as trustee of Henderson High Income Trust.

Whessoe—Colgny Holdings has acquired 110,000 shares making holding 745,000 shares (8.25 per cent).

Anchor Chemical Group—Lekol Inc has purchased a further 25,000 shares making total 580,000 shares (20 per cent).

When bankers listen—but do not respond

Lisa Wood describes the delay of a plan to help small businesses

MR. DENIS FLERI, managing director of Ross Alan and Ross, of Hayes, Middlesex, a recently-formed high-class knitwear company, last month refused a £20,000 export order from Japan.

He could have met the order and taken on more workers if his bank had been prepared to provide the working capital for a business where investment is in skill and not capital equipment.

Mr. Fleri said: "The banks listen but sometimes they do not hear. They tend to be geared to lending £500,000 to a major industrial concern, not £50,000 to a small business.

"My company produces hand-framed knitwear. Our order books are full, but an order in hand means little to a bank manager. He has to ask what guarantees can be given that the knitwear will be produced. My collateral is yarn and knitwear in any stage of production."

Manufacturers like Mr Fleri stand to benefit from the Government's guarantee scheme for small business bank loans. It is specifically designed to aid businesses which face difficulties in dealing with the big banks because of a lack of personal guarantees and security.

However, negotiations on the implementation of the scheme—whereby the Government underwrites 80 per cent of a loan of up to £75,000 made by a bank to a business—have been at near deadlock. Talks between the banks and the Department of Industry revived only this week. Full implementation of the scheme will probably be delayed beyond the anticipated start date of June 1.

Mr Fleri said: "The scheme was announced in March. It is now May, and yet nothing has materialised. I know there must be a procedure for the introduction of the scheme, but this delay is ridiculous. Britain's small businesses, if they are to expand, need money now, not in a couple of months' time."

Mr. Fleri's company has been in business only for about a year. But his exquisite knitwear, produced mainly by homeworkers operating £200-odd domestic manual knitwear machines, is in demand.

Between February and April, orders totalled £221,641 of which those worth £191,376 were for export.

Outlets for the 100 per cent wool knitwear, designed under the "Michael Ross" label by a well-known freelance designer whom the Fleri's met by chance at a fashion show, include Bloomingdales, the exclusive New York department store.

The whole Fleri family works in the business. Previously, Mr Fleri and his father Marcel had been involved in wholesaling clothes.

"We were let down by British manufacturers who did not supply on time," said Mr Fleri.

The family originally wanted to mass produce knitwear but, with the onset of the recession, decided they could not compete with the larger manufacturers. The gap in the market, said Mr Fleri, was for designer-fashioned quality knitwear, mainly destined for export.

Most of the knitters employed by the Fleris have been specifically trained for the job. Homeworkers have not been employed from areas like Leicester where unemployment has hit hard the hosiery and knitwear industries.

Mr Fleri said: "A lot of women who have been working in the industry for many years tend to say 'we don't do it like that.' We want people to knit our garments exactly to our specifications."

All the garments are made to order, thus avoiding problems of stock-piling. However, cash-flow is one of the greatest problems for such businesses.

Yarn has to be bought. The 40-odd knitters have to be fed with work continuously or else they lose interest. Extensive free credit facilities have to be granted to buyers.

Unfortunately, the small producer of garments can receive short-shrift from the most exclusive stores if he appears too eager for his payment.

The Fleri business—with its manufacture of high quality goods within a generally ailing industry suffering from high import penetration—appears to be of the sort the Government is seeking to encourage. The Government's delayed scheme is exactly what the Fleris, and many other small, new businesses, need for the growth of their industries.

Hydrofoil service launched

By Our Shipping Correspondent

A 50 MPH hydrofoil service between Dover and Ostend starts next Sunday. The voyage takes 1 hour and 40 minutes, less than half the time of conventional ferries.

The service has been launched less than a year after the collapse of two other cross-Channel hydrofoil services. Both blamed rising fuel costs and unreliable performance.

Regie des Transports Maritime (RTM), the Belgian partner in the Sealink consortium launching the service, is confident of success. Its two £6m Boeing jetfoils are more reliable than earlier vessels

More important, it is launching the service on a well-proven passenger route. Both P & O Ferries and Seajet operated their hydrofoils on untried passenger routes.

RTM already carries 2.7m passengers a year on its Dover/Folkestone-Ostend route.

Dearer meat, milk lift food-price index

BY OUR CONSUMER AFFAIRS CORRESPONDENT

FOOD prices continued to rise steadily in May, according to the latest Financial Times Grocery Prices Index published today.

The May index stood at 136.30, a rise of 1.37 on the April level—the eighth month in succession that the index of food prices in the shops has risen.

The index is based on data collected by 25 shoppers who monitor the same list of 100 grocery items each month in the same shops. The dealers chosen range from small village grocers to superstores.

The index is meant as a guide only and not an absolute indicator of food prices. These can vary according to shop type and location.

The May increases are mainly due to higher prices for fresh meat and dairy produce. Fruit and vegetables were only slightly dearer.

The overall level of demand for food—which has generally held up well during the recession — may have dipped in recent weeks, according to some reports inside the grocery trade. Tesco, for example, has found trade slowing down in the past few weeks and this trend has been reported by other food retailers.

However, Mainstop, the superstores subsidiary of BAT Stores, has found trade fairly buoyant in recent weeks. Mainstop's trading performance in its 19 superstores has been helped by an extensive price cutting campaign to celebrate its recent re-launch. Previously, Mainstop was the superstores division of International Stores, but now it is an autonomous company within the BAT group.

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FINANCIAL TIMES SHOPPING BASKET MAY, 1981

	May £	April £
Dairy produce	676.52	670.18
Sugar, tea, coffee and soft drinks	210.50	210.91
Bread, flour and cereals	309.09	307.78
Preserves and dry groceries	112.53	111.84
Sauces and pickles	54.25	54.03
Canned goods	193.11	190.25
Frozen foods	237.73	237.92
Meat, bacon etc. (fresh)	576.55	561.20
Fruit and vegetables	285.28	282.50
Non-foods	242.49	242.20
Total	2,898.04	2,868.81

1980: January 120.47; February 122.32; March 124.18; April 125.94; May 128.79; June 128.53; July 129.04; August 128.41; September 127.41; October 126.84; November 127.77; December 129.38.
1981: January 130.96; February 131.75; March 132.75; April 134.93; May 136.30.

EUROPEAN OPTIONS EXCHANGE

Series		Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	Stock
GOLD C	$475	—	—	7	54	—	—	$472.50
GOLD C	$500	5	19	1	36	1	58 A	"
GOLD C	$525	8	13	17	30	—	—	"
GOLD C	$550	1	9	1	22.50	—	—	"
GOLD P	$475	9	17	6	22	—	—	"
GOLD P	$500	—	—	2	36	—	—	"
		July		Oct.		Jan.		
ABN C	F.300	16	2	5	6.50	—	—	F.278
AKZO C	F.20	—	—	22	3.70	—	—	F.22.80
AKZO C	F.22.50	10	1.40	68	2.60	—	—	"
AKZO C	F.25	5	0.50	15	1.50	15	2.60	"
AKZO P	F.22.50	6	0.50	—	—	8	1.50	"
HEIN C	F.55	16	1.50	15	2.80	—	—	F.52
HEIN C	F.60	15	0.60	—	—	7	2.60 A	"
HEIN P	F.55	5	4	—	—	—	—	"
HOOG C	F.20	—	—	—	—	10	1.50	F.16.30
IBM P	$50	10	4⅝	—	—	—	—	$55 1/16
KLM C	F.100	—	—	22	32.50	—	—	F.127.70
KLM C	F.110	20	21.50	—	—	—	—	"
KLM C	F.120	10	14.80	25	20	—	—	"
KLM C	F.130	31	9.80	15	14.50	—	—	"
KLM C	F.140	33	5.20	25	10	15	14.50	"
KLM P	F.100	89	1.30	—	—	—	—	"
KLM P	F.110	—	—	11	6.80	—	—	"
KLM P	F.120	10	6.50	12	10.50	—	—	"
KLM P	F.130	20	10.40	11	16	—	—	"
KLM P	F.140	—	—	10	21	—	—	"
NATN C	F.110	—	—	6	7.50	—	—	F.110.20
NATN C	F.120	—	—	28	2.20	12	4.50	"
PHIL C	F.17.50	10	5	75	5.50	—	—	F.21.80
PHIL C	F.20	70	2.50	52	3.30	214	4.30	"
PHIL C	F.22.50	39	0.80	340	1.80	34	2.80	"
PHIL P	F.20	20	0.30	20	0.60	—	—	"
PHIL P	F.22.50	—	—	70	1.30	12	1.50	"
RD C	F.90	48	3.60	—	—	—	—	F.88.30
RD C	F.95	11	1.80	—	—	—	—	"
RD C	F.100	25	0.90	167	2.40	—	—	"
RD C	F.110	82	0.20	70	1.20	—	—	"
RD P	F.80	10	0.80	6	2.80	—	—	"
RD P	F.90	16	4.40 A	28	6.50	—	—	"
RD P	F.95	88	7.70	—	—	—	—	"
UNIL C	F.150	17	3.70	14	6.50	—	—	F.143.80
UNIL C	F.160	—	—	13	2.50	—	—	"
		Aug.		Nov.		Feb.		
BOEI C	$55	10	1	10	1⅞	—	—	$52
BASF C	DM.130	20	2.80	—	—	—	—	DM128
MANN C	DM.150	20	1.50	10	3	—	—	DM139.50
SIEM C	DM.260	30	1.50	7	4.50	—	—	DM244.20
VW C	DM.170	—	—	10	2.50	—	—	DM159

TOTAL VOLUME IN CONTRACTS 2348

A=Ask B=Bid C=Call P=Put

The Hague, centre of Ennia's operations.

A copy of this Prospectus, having attached thereto the documents referred to below, has been delivered to the Registrar of Companies in Edinburgh for registration.

This Prospectus includes particulars given in compliance with the Regulations of the Council of The Stock Exchange for the purpose of giving information with regard to Murray Technology Investments PLC ("the Company"). The directors of the Company have taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein whether of fact or of opinion. All the directors accept responsibility accordingly.

Application has been made to the Council of The Stock Exchange for admission to the Official List of the Ordinary Shares of 25p each of the Company now being issued and to be issued.

Murray Technology Investments PLC

(Incorporated in Scotland under the Companies Acts 1948 to 1980 with registered number 73935)

Issue
of 7,050,805 Ordinary Shares of 25p each at 100p per share payable in full on acceptance

Arranged by

Laurence, Prust & Co.

and

Scrimgeour, Kemp-Gee & Co.

The directors of the Company have received applications from certain of the listed investment trust companies managed by Murray Johnstone Limited to subscribe 3,050,805 Ordinary Shares of the Company in this issue. In addition, the directors have received applications from Legal & General Group Limited, Standard Life Assurance Company and Sun Life Assurance Society Limited to subscribe a total of 1,000,000 Ordinary Shares in this issue. The directors intend to accept all such applications in full.

The Ordinary Shares to be issued rank in full for all dividends hereafter declared, made or paid on the Ordinary share capital of the Company.

Directors
JOHN RAYMOND JOHNSTONE, B.A., C.A.,
Wards, Gartocharn, Dunbartonshire. *Chairman*

PETER GEORGE BARNWELL, B.Sc., Ph.D.,
Entropy, Little Woodfalls Drive, Woodfalls, Salisbury, Wiltshire.

MATTHEW DEAN GOODWIN, C.B.E., C.A.,
32 Kelvin Court, Glasgow.

ROSS STEVENSON PETERS, M.A.,
Wester Kerse, Lochwinnoch, Renfrewshire.

ALEXANDER MONCRIEFF MITCHELL STEPHEN, B.A., F.R.I.N.A.,
Ballindalloch, Balfron by Glasgow.

Manager and Secretary
MURRAY JOHNSTONE LIMITED,
163 Hope Street, Glasgow G2 2UH.

SHARE CAPITAL

Authorised		Issued and to be issued under this issue and the further issue referred to herein
£3,000,000	In Ordinary Shares of 25p each	£2,500,000

Registered Office
163 Hope Street, Glasgow G2 2UH.

Auditors and Reporting Accountants
ARTHUR YOUNG McCLELLAND MOORES & CO.,
Chartered Accountants, 151 West George Street, Glasgow G2 2JF.

Solicitors to the Company
MONCRIEFF WARREN PATERSON & CO.,
1 Blythswood Square, Glasgow G2 4AA.

Solicitors to the Issue
LINKLATERS & PAINES,
Barrington House, 59/67 Gresham Street, London EC2V 7JA.

Stockbrokers
LAURENCE, PRUST & CO.,
Basildon House, 7/11 Moorgate, London EC2R 6AH and The Stock Exchange.

SCRIMGEOUR, KEMP-GEE & CO.,
20 Copthall Avenue, London EC2R 7JS and The Stock Exchange.

Bankers
CLYDESDALE BANK LIMITED,
30 Lombard Street, London EC3V 9BB.

Registrar and Transfer Office
CLYDESDALE BANK LIMITED,
Stock Exchange Services Department, 30 St. Vincent Place, Glasgow G1 2HL.

Introduction

The five listed investment trust companies (the "Murray Trusts") managed by Murray Johnstone Limited ("Murray Johnstone") have for some time been investing in unlisted companies operating in high technology industries. Two of their earlier investments, Unitech Limited and Eurotherm International Limited, are now listed and several new unlisted investments have recently been added to their portfolios. Experience gained from investment in this area has encouraged Murray Johnstone to take an optimistic view of the future for investment in high technology industries. Furthermore Murray Johnstone considers that the prospects of capital appreciation are increased if an investment is made at a relatively early stage in the development of a company in this area.

Opportunities now exist to invest in companies associated with recent advances in physical sciences, more particularly in the fields of micro-electronics and electro-optics. Although a number of large companies are engaged in the application of these developments, there are many smaller companies emerging, some of which are likely to show significant growth. Major advances are also evident in biotechnology and, although they have not yet led to the formation of very many new companies, it is probable that opportunities for profitable investment will emerge as developments become more widely applied in agriculture and medicine.

Successful investment in unlisted companies requires specialist skills to select and assist those companies most likely to demonstrate profitable growth. To further such specialisation and attract investment opportunities in high technology industries, the Murray Trusts consider that it is desirable to re-group their unlisted investments in this area into a new company, Murray Technology Investments PLC ("the Company"), having a particular emphasis on unlisted investments. This will enable the specialist skills to be deployed more effectively over a single portfolio. Murray Johnstone believes that the Company will provide investors with a means to participate in an area where it is not normally possible for them to invest directly. It is intended that the Company shall be managed in such a way as to qualify for approval as an investment trust in terms of section 359 (as amended) of the Income and Corporation Taxes Act 1970.

In consideration for transferring to the Company appropriate investments from their existing portfolios, four of the Murray Trusts will receive Ordinary Shares in the Company and the fifth, Murray Caledonian Investment Trust Limited ("Murray Caledonian"), will receive cash. These acquisitions by the Company are described in greater detail below. In addition, the directors have received applications from the same four Murray Trusts to subscribe 3,050,805 Ordinary Shares in this issue and the directors intend to accept such applications in full. Following their subscription and the exchange of shares, the four Murray Trusts will own 6,000,000 Ordinary Shares in the Company amounting to 60 per cent. of the issued share capital. The decision of Murray Caledonian to transfer the holdings referred to above to the Company for cash follows the announcement last year that each of the Murray Trusts would in future pursue its own distinctive investment policy, as does the fact that the other four Murray Trusts are subscribing for Ordinary Shares in differing proportions.

Investment Policy

The overall objective of the Company is to achieve capital growth by investing in unlisted and listed companies associated with high technology industries throughout the world.

The directors of the Company do not intend to place a restriction on the proportion of the Company's portfolio which is invested in unlisted securities and, following the transfer by the Murray Trusts of the holdings referred to above, investments in unlisted companies will comprise approximately 32 per cent. of the Company's gross assets.

Although the Company will not normally invest in newly formed businesses without a profit record, it does expect to take advantage of appropriate "start-up" situations which may arise from the activities of Venture Founders Capital Limited, a recently formed venture capital company in which the Murray Trusts, together with a number of other institutions, are founder shareholders. In addition, the Company will consider making investments in high technology companies recommended to it by Candover Investments Limited. Candover, in which the Murray Trusts in conjunction with a number of other major institutional investors have an interest, was formed to seek substantial and profitable investment opportunities in both listed and unlisted companies in the UK and overseas requiring participation by more than one institution.

Although the Company will, in some cases, have Board representation it will not take controlling shareholdings or become directly involved in the management of any of the companies in which it has an investment. It expects to take minority holdings which are likely to be held for long periods.

In order to comply with the regulations of The Stock Exchange concerning investment companies, not more than 20 per cent. of the Company's gross investment fund may be represented by any single investment (aggregating existing holdings in the company concerned) at the time that such investment is made. In addition, in order to qualify as an approved investment trust within the meaning of section 359 (as amended) of the Income and Corporation Taxes Act 1970 none of the Company's holdings in any one company (other than a company which is for the time being an investment trust) may represent more than 15 per cent. by value of the Company's investments at the time the investment is acquired.

Furthermore, it is the intention of the directors that, except in exceptional circumstances, no single investment will, at the time of acquisition, represent more than 10 per cent. of the Company's gross investment fund. The directors do not intend altering this or any other aspect of the Company's investment policy as set out in this document for a period of at least three years from the date hereof.

Although the Company's articles of association contain borrowing powers, it is not the intention of the directors to borrow any significant sums of money at present.

Risk Factors

Many of the companies in which the Company invests will, by the nature of the industries in which they operate, be exposed to the risk of changes in technology and to competition from other companies. Potential investors, therefore, must be aware of the risk associated with the Company's investment policy, although the spread of investments should reduce the degree of risk.

Taxation

It is the intention of the directors to ensure that the Company will satisfy the conditions for approval as an investment trust laid down in section 359 (as amended) of the Income and Corporation Taxes Act 1970 and to apply to the Inland Revenue for approval of the Company as an investment trust. The Company will be exempt from tax on chargeable gains realised during any accounting period for which such approval is obtained.

Acquisition of Securities from the Murray Trusts

Under the contracts numbered 1 to 6 (see material contracts below) the Company has entered into conditional agreements with the Murray Trusts for the acquisition of the following securities:—

Company	Holding	Valuation £'000	Percentage of class of share capital being transferred by the Murray Trusts
Automation & Technical Services (Holdings) Limited	147,300 Ordinary Shares of £1 each	795	29.5
Computer and Systems Engineering Limited	115,000 Ordinary Shares of 5p each	978	10.7
	20,500 Cumulative Preferred Ordinary Shares of £1 each	328	100
Corintech Limited	200,000 Redeemable Preference Shares of £1 each	100	100
Jermyn Holdings Limited	200,000 "A" Ordinary Shares of 25p each	380	50
T.D.S. Circuits (Blackburn) Limited	110,000 Convertible Preference Shares of 5p each	275	25
Trans Venture AG	2,400 Bearer Shares of Sw. Fr. 400 each	336	6
	Total	3,192	

The above securities were valued primarily for the purposes of section 24 of the Companies Act 1980 by Arthur Young McClelland Moores & Co., Chartered Accountants, as at 24th April, 1981. The securities were valued on the basis of willing buyer/willing seller by reference *inter alia* to information available to Arthur Young McClelland Moores & Co., relating to any recent transactions in the securities and to the market ratings of the most comparable listed companies at that time, taking account in particular of the size of the shareholdings and of the fact that the securities to be acquired are less freely marketable. A copy of this valuation and report is available for inspection as referred to below.

Further information on the above companies is set out later in this document. The audited accounts of each of these companies for the last two completed financial periods for which they have been published will be available for inspection as referred to below.

Except in the case of Murray Caledonian, which will receive payment in cash, the consideration payable for the acquisition of the above securities is to be satisfied by the issue of a total of 2,949,195 Ordinary Shares in the Company at the issue price of 100p per share. The contracts are conditional upon listing being granted by the Council of The Stock Exchange for the Ordinary Shares of the Company and the issue of a certificate of commencement of business to the Company pursuant to section 4 of the Companies Act 1980. The four Murray Trusts listed in the table below will, after such issue and after subscription by them in accordance with the applications referred to above, have the following holdings in the Company:—

Name of Trust	Shares to be allotted as consideration	Shares being subscribed for	Total holding	Percentage of issued share capital of the Company to be held
Murray Clydesdale Investment Trust Limited	1,118,960	1,881,040	3,000,000	30
Murray Western Investment Trust Limited	873,285	926,715	1,800,000	18
Murray Northern Investment Trust Limited	617,525	82,475	700,000	7
Murray Glendevon Investment Trust Limited	339,425	160,575	500,000	5
Total	2,949,195	3,050,805	6,000,000	60

Note:—The consideration receivable by Murray Caledonian in respect of the securities to be transferred by it to the Company will amount to £242,725.

The securities being transferred by the Murray Trusts represent all their significant unlisted holdings in high technology investments except that, in order to enable the Company to keep within the limits referred to under "Investment Policy", certain of the Murray Trusts will retain holdings in Computer and Systems Engineering Limited.

Murray Johnstone, on behalf of the Murray Trusts, is engaged in negotiations which may result in the acquisition of further holdings in unlisted high technology companies. Should any such negotiations be successful, it is the intention of the Murray Trusts to offer those investments to the Company for cash at cost.

Accounts

The accounting reference date of the Company is 31st March and the first accounts of the Company will be made up for the period from 11th February, 1981 (the date of its incorporation) to 31st March, 1982. All investments will be revalued annually for the purposes of the accounts.

Directors

J. R. Johnstone (51) is managing director of Murray Johnstone, a director of Scottish Amicable Life Assurance Society and chairman of Dominion Insurance Company Limited.

Dr. P. G. Barnwell (36) is the founder, chairman and managing director of Corintech Limited, further information on which is set out later in this document. He was formerly Senior Lecturer in electronics at Brighton Polytechnic during which time he acted as a consultant to a number of companies including Thorn Electrical Industries Limited. He was subsequently employed by Eurotherm International Limited.

M. D. Goodwin (51) is chairman of Hewden-Stuart Plant Limited and is a member of the Irvine Development Corporation.

R. S. Peters (38) is a director of Murray Johnstone where he is responsible for the Murray Trusts' UK portfolios and investments in unlisted high technology companies. He is also a non-executive director of Corintech Limited. He was formerly employed by Rolls-Royce Limited where he designed computer systems and subsequently by McLintock Moores and Murray, management consultants, where he advised a wide range of industrial companies.

A. M. M. Stephen (54) is a director of each of the Murray Trusts and is also a director of Scottish Widows' Fund & Life Assurance Society.

Auditors' Report

The following is the text of a report received by the directors of the Company from Arthur Young McClelland Moores & Co., Chartered Accountants, the auditors of the Company:—

The Directors,
Murray Technology Investments PLC,
163 Hope Street,
Glasgow G2 2UH.

22nd May, 1981

Dear Sirs,

We report that Murray Technology Investments PLC was incorporated on 11th February, 1981. Since that date no accounts have been made up, no dividends have been declared or paid and the Company has not commenced business.

Yours faithfully,
ARTHUR YOUNG McCLELLAND MOORES & CO.,
Chartered Accountants.

Dividends

The Company intends to derive its income wholly or mainly from shares and securities and will retain no more than 15 per cent. of its income from that source. Many of the companies in which the Company invests will be in the early stages of their growth and will pay small or no dividends. The directors therefore anticipate that the income of the Company will be small and they expect shareholders to accept capital growth as the main investment objective. The Company will not distribute by way of dividend either surplus funds arising from the realisation of its investments or profit retained by its associated companies.

Further information on the companies whose securities are to be acquired from the Murray Trusts

It is intended that the Annual Reports of the Company will include for each of its principal unlisted investments similar profiles to those given below. Each of these companies is in the early stage of its financial year and it is therefore inappropriate to comment upon prospects for the current year.

AUTOMATION & TECHNICAL SERVICES (HOLDINGS) LIMITED ("ATS")

General

ATS was incorporated in England in October 1972. It has approximately 90 employees.

Business

One subsidiary of ATS manufactures the Vitel range of intelligent visual display terminals, systems for telex/telegraph networks and another produces remote control communications equipment (telemetry).

The Vitel range of equipment, which is capable of editing and storing messages, incorporates Intel microprocessors. ATS has a significant share of the UK market for these products and has sold over 700 Vitel units in the UK and the rest of Europe. These are used as a basis for sophisticated communications systems and are capable of being programmed to meet customers' different operations. They are sold mainly to organisations with substantial international communications requirements. ATS also manufactures a store and forward message processor for international telex networks, which can in addition be used as an internal message distribution system.

The telemetry subsidiary supplies data communications equipment which allows process plant remotely located to be monitored and controlled from a common control station.

Financial summary

Share Capital

The increase in the share capital in 1980 was a result of a bonus issue of Ordinary Shares.

In March 1981, the 100,000 7 per cent. Cumulative Redeemable Participating Preference Shares of £1 were redeemed at par and there was a 1 for 1 bonus issue of Ordinary Shares.

The issued share capital of ATS is now 500,000 Ordinary Shares of £1 each.

The Company will own 147,300 Ordinary Shares in ATS.

The following information is based on the most recent audited accounts of ATS:—

	Note	Year ended 31st December 1980 £'000	1979 £'000
Turnover		2,308	1,442
Profit before tax	1	311	194
Taxation	2	171	2
Profit after tax		140	192
Dividends	3	48	40
Profit retained		92	152

Notes:—

1. The 1980 profit is arrived at after an exceptional provision of £39,000 for a contractual liability to repurchase obsolete goods sold in 1976.

2. Taxation comprises:

	1980	1979
Corporation tax	12	—
Deferred taxation	161	—
	173	—
Prior year adjustments	(2)	2
	171	2

3. Dividends

	1980	1979
7 per cent. Cumulative Redeemable Participating Preference Shares	19	16
Ordinary Shares	29	24
	48	40

Capital employed at 31st December	1980	1979
Share capital	350	250
Share premium	—	5
Retained earnings	210	213
	560	468

Pro forma amounts attributable, calculated on a pro forma basis by reference to the 1980 accounts adjusted as indicated below, to the holding of 147,300 Ordinary Shares of £1 each to be purchased from the Murray Trusts:—

	£'000
Earnings	39
Net assets	135

At the valuation of £795,000 placed on this holding the price earnings multiple based on the above earnings is 20.38 and the gross dividend yield is 1.52 per cent. Had the exceptional item not arisen in 1980 the price earnings multiple would have been 17.90.

Notes:—

1. In computing earnings an adjustment has been made to eliminate the cost of the Preference Dividend which will no longer be payable, net of the estimated additional cost of alternative finance less tax following the redemption of the Preference capital of £100,000.

2. The dividend yield is based on a gross dividend of 8.23p per share, which is half the dividend paid for 1980, on the assumption that the 1981 dividend will be reduced in proportion following the 1 for 1 bonus issue of Ordinary Shares.

COMPUTER AND SYSTEMS ENGINEERING LIMITED ("CASE")

General

CASE was incorporated in England in February, 1970. It has a workforce of approximately 360.

Business

CASE supplies both the computer communications and office communications markets with equipment designed to make economies in data communication networks and to simplify their operation and maintenance. All this equipment uses broadly similar technology, enabling CASE to operate integrated design and manufacturing and service facilities.

In the field of computer communications, CASE supplies equipment for linking computers and terminals to telephone lines and for facilitating the efficient sharing of lines using a large number of terminals. This equipment includes modems, multiplexers, data concentrators and network control equipment. The principal products in the field of office communications are automatic message switching systems, which are designed to speed up the transmission of messages by telegraph and telex.

Financial summary

Share Capital

In December, 1980 the unpaid balance on 250,000 9.1 per cent. Cumulative Redeemable Convertible Preference Shares of £1, which were then paid up as to 10p per share, was received in full and 371,000 Ordinary Shares of 5p were issued for cash at £6 per share.

The issued share capital of CASE is now:—

	£
500,000 9.1 per cent. Cumulative Redeemable Convertible Preference Shares of £1 each	500,000
1,071,000 Ordinary Shares of 5p each	53,550
	553,550

The Company will own 115,000 Ordinary Shares in CASE.

The following information is based on the most recent audited accounts of CASE:

	Note	Year ended 31st December, 1980 £'000	1979 £'000
Turnover		12,032	7,469
Profit before tax	1	942	29
Taxation	2	11	11
Profit after tax		931	18
Preference dividends		25	24
Profit retained		906	(6)

Notes:—

1. The profit before tax is arrived at after charging the loss arising from the discontinued German operations — 142 — 136
2. The taxation charge represents ACT on the Preference dividends.

Capital employed at 31st December		
Share capital	554	310
Share premium	2,821	793
Retained earnings	1,667	761
	5,042	1,864

Pro forma amounts attributable, calculated on a pro forma basis by reference to the 1980 accounts adjusted as indicated below, to the holding of 115,000 Ordinary Shares of 5p each to be purchased from the Murray Trusts:—

	£'000	Fully diluted £'000
Earnings	134	89
Net Assets	488	342

At the valuation of £978,000 placed on this holding the price earnings multiple based on the above earnings is 7.30 and on the fully diluted earnings is 10.99. Excluding the loss on discontinued operations the price earnings multiple becomes 6.56 (fully diluted 9.88).

Notes:—

1. In computing earnings an adjustment has been made in respect of the interest effect for a full year of the proceeds of the issue of the Ordinary Shares of 5p each and the call on the Cumulative Redeemable Convertible Preference Shares of £1 each less the additional cost of the dividend on the fully paid Preference Share capital.
2. Fully diluted earnings and assets have been further adjusted to allow for the conversion in full of the Convertible Preference Shares into Ordinary Shares.

Summary of special rights attaching to the 9.1 per cent. Cumulative Redeemable Convertible Preference Shares

As regards income, the holders of the Convertible Preference Shares have the right to receive, in priority to all other shareholders, a fixed cumulative dividend at the rate of 9.1 per cent. per annum on the capital paid up on the shares.

As regards conversion, the holders are entitled to convert any or all of their shares into Ordinary Shares at any time during the 30 days commencing 1st May in any year (or a later date in certain prescribed circumstances) at the rate of 5 Ordinary Shares of 5p each for every 4 fully paid Convertible Preference Shares.

As regards redemption, the Company is obliged to redeem at par any Convertible Preference Shares in issue at 30th September, 2025.

As regards voting, the Convertible Preference Shares carry the voting rights that would have applied had they been converted into Ordinary Shares.

In addition the articles of association contain restrictions preventing the dilution of or alteration to the rights of the Convertible Preference Shares.

CORINTECH LIMITED ("CORINTECH")

General

Corintech was incorporated in England in November, 1977. It has approximately 30 employees.

Business

Corintech manufactures thick film circuits which are miniature circuits formed by fusing appropriate materials and electronic components on to a ceramic substrate. Their small size and robust characteristics, coupled with the capability of incorporating resistors with high stability and high performance, give rise to their use in the defence, avionics, telecommunications and control instrumentation industries.

Corintech has extended its product range to include hybrid circuits, precision resistor networks and high value resistors. Production techniques utilise precision printers, furnaces, laser trimmers and electronic test equipment.

Financial summary

Share capital

In December, 1980 the Ordinary Share capital was increased by a bonus issue, the Cumulative Preferred Ordinary Shares were created and 200,000 Redeemable Preference Shares of £1 were issued at par for cash.

The issued share capital of Corintech is now:—

	£
25,100 Ordinary Shares of £1 each	25,100
20,500 Cumulative Preferred Ordinary Shares of £1 each	20,500
200,000 Redeemable Preference Shares of £1 each	200,000
	245,600

The Company will own the 20,500 Cumulative Preferred Ordinary Shares and the 200,000 Redeemable Preference Shares in Corintech.

The following information is based on the most recent audited accounts of Corintech:—

	Year ended 31st December, 1980 £'000	1979 £'000
Turnover	306	216
Profit before tax	66	51
Taxation	—	—
Profit after tax	66	51
Dividend on Cumulative Preferred Ordinary Shares	1	—
Profit retained	65	51

Capital employed at 31st December		
Share capital	246	10
Retained earnings	82	53
	328	63

At the valuation of £100,000 placed on the holding of 200,000 Redeemable Preference Shares of £1 each to be purchased from the Murray Trusts the gross dividend yield is 0.20 per cent. on the gross dividend of £200.

Pro forma amounts attributable, calculated on a pro forma basis by reference to the 1980 accounts adjusted as indicated below, to the holding 20,500 Cumulative Preferred Ordinary Shares of £1 each to be purchased from the Murray Trusts:—

	£'000
Preferred dividend	14 (£20,000 gross)
Earnings excluding above dividend	32
Net assets	58

At the valuation of £328,000 placed on this holding the gross preferential dividend yield is 6.10 per cent. In addition, the price earnings multiple based on the above earnings is 10.25.

Note:—

In computing earnings an adjustment has been made in respect of the interest effect of the proceeds of the issue of the Redeemable Preference Shares less the cost of a full year's dividend on these and on the Cumulative Preferred Ordinary Shares.

Summary of special rights attaching to the Cumulative Preferred Ordinary Shares

The holders have the right to receive, in priority to all other shareholders except the holders of the Redeemable Preference Shares, an annual cumulative preferential dividend of £14,000 divisible among the holders *pro rata* to the nominal value of their respective holdings. The holders also have the right to receive *pari passu* with the holders of the Ordinary Shares any surplus profits available for distribution.

A majority of the holders may appoint and remove one director.

Summary of special rights attaching to the Redeemable Preference Shares

As regards income, the holders have the right to receive, in priority to all other shareholders, a fixed preferential dividend at the rate of one-tenth of 1 per cent. per annum "gross" on the capital for the time being paid up on such shares.

As regards redemption, Corintech may redeem all or any of the shares at par at any time.

As regards voting, the holders have no right to vote except (a) in relation to winding-up, (b) reduction of capital, increase of borrowing powers or any matter affecting their special rights or (b) after 31st December, 1987.

JERMYN HOLDINGS LIMITED ("JERMYN")

General

Jermyn was incorporated in England in May 1976, to acquire the shares of a number of companies, the longest established of which commenced trading in 1964. The group has approximately 360 employees.

Business

Jermyn's main business is the distribution of electronic components in the UK and Germany. It also has a small manufacturing facility which produces integrated circuit sockets.

Jermyn distributes products of many of the major suppliers of active electronic components including Texas Instruments, Motorola, Intel, National Semiconductor, RCA, Fairchild, Hewlett Packard and Harris. Recently it acquired Invader Components Limited to increase its market share in electro-mechanical products. During 1980 franchises were obtained from ITT and Plessey and during 1981 a franchise from Mullard has been added to increase Jermyn's share of the passive electronic components market.

Jermyn uses a real time computer system to provide a fast and efficient response to customer enquiries and generally provides same day despatch of components in stock.

In 1979 sales in Germany, where its distribution activities are similar to those in the UK, accounted for approximately 36 per cent. of Jermyn's turnover and were derived principally from its Intel, Motorola, Hewlett Packard and Texas Instruments franchises.

Financial summary

Share capital

In addition to a bonus issue of Ordinary Shares in June, 1980, 400,000 "A" Ordinary Shares of 25p each were issued for cash at £3.92p per share.

The issued share capital of Jermyn is now:—

	£
4,000,000 Ordinary Shares of 25p each	1,000,000
400,000 "A" Ordinary Shares of 25p each	100,000
	1,100,000

The Company will own 200,000 "A" Ordinary Shares in Jermyn.

The following information is based on the most recent audited accounts of Jermyn:—

	Note	Year ended 31st December, 1980 £'000	1979 £'000
Turnover		25,279	21,026
Profit before tax		748	1,410
Taxation	1	(85)	456
Profit after tax		833	954
Dividend on "A" Ordinary Shares		32	—
Transfer to capital reserve		30	—
Profit retained		771	954

Note:—

1. Taxation comprises:—

Corporation tax	235	166
Relief for overseas tax	(170)	(105)
	65	61
Overseas tax	204	298
Deferred taxation	(354)	97
	(85)	456

The deferred taxation reversal arises substantially from writing back the provision created in earlier years in respect of stock appreciation relief.

Capital employed at 31st December		
Share capital	1,100	400
Share premium	1,468	—
Capital reserves	590	1,663
Retained earnings	2,171	1,400
	5,329	3,463

Pro forma amounts attributable, calculated on a pro forma basis by reference to the 1980 accounts adjusted as indicated below, the holding of 200,000 "A" Ordinary Shares of 25p each to be purchased from the Murray Trusts:—

	£'000
Preferential dividend	16 (£23,000 gross)
Earnings excluding above dividend	24
Net Assets	242

At the valuation of £380,000 placed on this holding the gross preferential dividend yield is 6.02 per cent. and the price earnings multiple based on the above earnings is 15.83. Had these shares been converted into Ordinary Shares the price earnings multiple would have been 14.6.

Notes:—

In computing earnings, adjustment have been made in respect of:—

(i) The reduction in interest costs which would have arisen had the "A" Ordinary Shares been in issue throughout the year.

(ii) The exceptional release of deferred taxation in respect of stock relief.

(iii) The cost of the preferential dividend on the "A" Ordinary Shares.

Summary of special rights attaching to the "A" Ordinary Shares

As regards income, the holders have the right to receive, in priority to all other shareholders, a non-cumulative preferential dividend at the rate of whichever is the greater of 8p per share and a sum bearing the same relation to the earnings per share for the accounting period in question as the sum of 8p bears to the earnings per share for the year ending 31st December, 1980. In addition the shares shall automatically be converted into Ordinary Shares in the event of the company applying for a listing on any stock exchange or in the event of the dividend on the Ordinary Shares for any financial period exceeding the dividend on the "A" Ordinary Shares for the same period.

T.D.S. CIRCUITS (BLACKBURN) LIMITED ("TDS")

General

TDS was incorporated in England in May, 1974. It has approximately 120 employees.

Business

TDS manufactures both through-plated printed circuit boards and multi-layer and flexi-rigid systems. TDS specialises in short run rapid delivery business rather than high volume production runs. It uses advanced computer techniques to maximise capacity, quality and product handling efficiency throughout its manufacturing operation. Of particular relevance to TDS is that it has been approved by the Ministry of Defence under Defence Standard 05-21 and BS 9000.

Financial summary

Share capital

In July, 1980 there were bonus issues of Ordinary and Convertible Preference Shares.

The issued share capital of TDS is now:—

	£
1,760,000 Ordinary Shares of 5p each	88,000
440,000 Convertible Preference Shares of 5p each	22,000
	110,000

The Company will own 110,000 Convertible Preference Shares in TDS.

The following information is based on the most recent audited accounts of TDS:—

	Note	Year ended February, 1980 £'000	1979 £'000
Turnover		1,757	822
Profit before tax*	1	502	174
Taxation*		—	—
Profit retained after tax		502	174

*On the basis of the accounts subject to final audit the directors of TDS estimate that the profit before tax for the year ended 28th February, 1981 was approximately £275,000 and consider that no provision for tax on this profit is required.

Note:—

1. The profit before tax for the year ended 29th February, 1980 was arrived at after crediting a small firms' subsidy of £19,000.

Capital employed at 29th/28th February		
Share capital	10	10
Retained earnings	815	313
	825	323

Amounts attributable, based on the 1980 accounts, to the holding of 110,000 Convertible Preference Shares of 5p each to be purchased from the Murray Trusts at the valuation of £275,000 placed on the holding:—

Unconverted	
Cumulative dividend	£32,000 (gross £46,000)
Gross dividend yield	16.80%
Converted into 110,000 Ordinary Shares	
Earnings	£25,000
Net assets	£41,000
Price earnings multiple	11.00

On the basis of the accounts subject to final audit for the year to 28th February, 1981, attributable earnings would be £14,000 and the price earnings multiple would be 19.64.

Summary of special rights attaching to the Convertible Preference Shares

As regards income, the holders have the right to receive, in priority to the other shareholders, a fixed cumulative dividend at the rate of 29.4p per annum on each share.

As regards conversion, the holders are entitled on 31st July (or at a later date in certain prescribed circumstances) in any of the years 1981 to 1988 inclusive to convert the whole or any part of their holding into fully paid Ordinary Shares at the rate of 5p in nominal amount of Ordinary Share capital for every 5p in nominal amount of Convertible Preference Share capital.

As regards the appointment of directors, the holders of not less than three-quarters of the nominal amount of the shares have the power to appoint and remove one director.

As regards voting, the holders have the right to receive notice of all general meetings but are not entitled to attend or vote unless their dividend is in arrear or the business of the meeting affects the special rights or privileges attached to the shares.

In addition, the holders have the right to receive all circulars, notices and other documents sent to the holders of Ordinary Shares and the articles of association contain restrictions to prevent the dilution of or alteration to the rights of the Convertible Preference Shares.

TRANS VENTURE AG ("TRANS VENTURE")

General

Trans Venture was incorporated in Switzerland in January, 1981. It has seven employees.

Business

Trans Venture is an international investment company which has a number of minority holdings in companies operating in areas of high technology. Of particular importance is its shareholding in the International Plant Research Institute where genetic engineering is being applied to develop new plant strains to improve crop yields and resistance to disease and to optimise growth in certain soil and climatic conditions. Other investments include shares in companies with interests in micro computers, logic boards, high speed data distribution, telephone monitoring and point of sale terminals. Trans Venture's policy is to seek above average capital growth by investing in companies at a relatively early stage in their development.

Financial summary

As the first business year ends on 31st December, 1981, there are no audited accounts. Of the share capital of Sw.Fr. 20 million, approximately 12 million is represented by investments at cost. The remaining capital is held in cash or on short term deposit.

Share capital

The issued share capital of Trans Venture is:—

	Sw.Fr.
40,000 Registered Shares of Sw.Fr. 100 each	4,000,000
40,000 Bearer Shares of Sw.Fr. 400 each	16,000,000
	20,000,000

The Company will own 2,400 Bearer Shares of Sw.Fr. 400 each.

Trans Venture does not expect to make a profit in its first year of operations.

Statutory and General Information

The Company

The Company was incorporated in Scotland as a public limited company on 11th February, 1981.

On 21st May, 1981 the Company resolved (a) to adopt new articles of association appropriate to a listed company; (b) that the directors be authorised generally to exercise the power of the Company to allot up to 12 million Ordinary Shares of 25p each in the capital of the Company at any time or from time to time during the five years following the date of the resolution and that any such allotment may be made pursuant to the foregoing authority as if section 17(1) of the Companies Act 1980 did not apply thereto.

The Company has given notice to the Registrar of Companies of its intention to carry on business as an investment company pursuant to section 41(3) of the Companies Act 1980.

Articles of Association

The articles of association of the Company contain, *inter alia*, provisions to the following effect:—

(i) The directors shall carry to capital reserves any net capital appreciation realised on the sale or realisation of any capital assets of the Company for a consideration in excess of book value and any other sums representing accretions to capital. Such capital reserves shall not be treated as representing profits available for distribution but may be used for offsetting capital losses.

(ii) On a show of hands every member present in person (or, if a corporation, present by a duly authorised representative) and entitled to vote shall have one vote and upon a poll every member present in person or by representative as aforesaid or by proxy, and entitled to vote, shall have one vote for every 25p in nominal amount of shares held by him.

(iii) If compliance is not made with any notice given by the Company requiring the disclosure under section 27 of the Companies Act 1976 of the beneficial interests in any shares, the Company may disenfranchise those shares until the requirement is complied with.

(iv) A director shall not require a share qualification.

(v) A director shall not vote in respect of any contract, proposal or arrangement in which he is interested. This provision is subject to limited exceptions, and may be suspended or relaxed to any extent by ordinary resolution of the Company.

(vi) Section 185 of the Companies Act 1948, relating to the retirement and reappointment of directors who have attained the age of 70, shall apply to the Company.

(vii) The rate of ordinary remuneration of the directors fixed at £3,000 per annum per director (£4,000 per annum in the case of the Chairman) may only be varied by ordinary resolution of the Company. Directors shall be entitled to be repaid all reasonable expenses incurred by them in attending Board meetings. Any director who is called upon to perform special services or to travel on the Company's business may be paid such additional remuneration and expenses therefor as the directors may determine.

(viii) The directors may pay pensions, or other retirement, superannuation, death or disability benefits to any director or ex-director or to the widow or dependents of any such director or ex-director.

(ix) The directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, and (so far as permitted by law) to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party, provided that the aggregate principal amount for the time being remaining undischarged of all moneys borrowed by the Company and its subsidiary companies (exclusive of intra-group borrowing) shall not at any time without the previous sanction of an ordinary resolution of the Company exceed an amount equal to 1½ times the adjusted total of capital and reserves (as defined in the articles of assocation).

Material Contracts

The following contracts, not being contracts in the ordinary course of business, have been entered into by the Company since its incorporation and are or may be material:—

1. Dated 21st May, 1981 between (1) Murray Western Investment Trust Limited (2) Murray Clydesdale Investment Trust Limited (3) Murray Northern Investment Trust Limited and (4) the Company for the acquisition of 200,000 Redeemable Preference Shares of £1 each and 20,500 Cumulative Preferred Ordinary Shares of £1 each in the capital of Corintech Limited.
2. Dated 21st May, 1981 between (1) Murray Western Investment Trust Limited (2) Murray Caledonian Investment Trust Limited (3) Murray Northern Investment Trust Limited (4) Murray Clydesdale Investment Trust Limited and (5) the Company for the acquisition of 200,000 "A" Ordinary Shares of 25p each in the capital of Jermyn Holdings Limited.
3. Dated 21st May, 1981 between (1) Murray Clydesdale Investment Trust Limited and (2) the Company for the acquisition of 110,000 Convertible Preference Shares of 5p each in the capital of T.D.S. Circuits (Blackburn) Limited.
4. Dated 21st May, 1981 between (1) Murray Northern Investment Trust Limited (2) Murray Glendevon Investment Trust Limited (3) Murray Western Investment Trust Limited (4) Murray Clydesdale Investment Trust Limited and (5) the Company for the acquisition of 147,300 Ordinary Shares of £1 each in the capital of Automation & Technical Services (Holdings) Limited.
5. Dated 21st May, 1981 between (1) Murray Western Investment Trust Limited (2) Murray Caledonian Investment Trust Limited (3) Murray Clydesdale Investment Trust Limited (4) Murray Northern Investment Trust Limited (5) Murray Glendevon Investment Trust Limited and (6) the Company for the acquisition of 115,000 Ordinary Shares of 5p each in the capital of Computer and Systems Enginering Limited.
6. Dated 21st May, 1981 between (1) Murray Western Investment Trust Limited (2) Murray Clydesdale Investment Trust Limited (3) Murray Northern Investment Trust Limited (4) Murray Glendevon Investment Trust Limited and (5) the Company for the acquisition of 2,400 Bearer Shares of 400 Swiss Francs each in the capital of Trans Venture AG.
7. Dated 22nd May, 1981 between (1) the Company (2) the directors of the Company and (3) Laurence, Prust & Co. and Scrimgeour, Kemp-Gee & Co. being the placing agreement referred to below.
8. Dated 21st May, 1981 between (1) the Company and (2) Murray Johnstone whereby the latter has agreed to provide investment management services and to act as secretary and provide related services to the Company for a quarterly payment at the rate (subject to review) of ⅛ per cent. of the quarterly average value of the gross assets from time to time of the Comany. The Agreement is terminable by three years notice by either party and commences on 29th May, 1981.

General

1. Under contract 7 above Laurence, Prust & Co. and Scrimgeour, Kemp-Gee & Co. have agreed, subject to the Council of The Stock Exchange admitting the whole of the share capital of the Company in issue and to be issued to the Official List not later than 29th May, 1981, to subscribe or procure subscribers for 3,000,000 Ordinary Shares of 25p each not already applied for. The Company will pay its preliminary expenses of £500 and also the expenses of this issue, including fees to Laurence, Prust & Co. and Scrimgeour, Kemp-Gee & Co., and a fee to Murray Johnstone of £15,000 for service in relation to the issue, all accountancy and legal expenses, the cost of the valuation, capital duty, the cost of printing and circulating this Prospectus and the fees and expenses of the registrars, which are estimated to amount in aggregate to £220,000 (inclusive of VAT where applicable).

2. Save as disclosed herein, no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option.

3. Save as disclosed herein since the Company's incorporation:—

(i) no share or loan capital of the Company has been issued, agreed to be issued or is proposed to be issued for cash or otherwise; and

(ii) no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any of its capital.

4. The directors are not aware of any litigation or claim of material importance pending or threatened against the Company.

5. Save for the issues disclosed herein no material issue of Ordinary Shares of the Company (other than to shareholders *pro rata* to their existing holdings) will be made within one year of the date of this Prospectus and no issue which would effectively alter the control of the Company will be made at any time without the prior approval of the Company in general meeting.

6. The Company has no loan capital (including term loans) outstanding or created but unissued, nor any mortgages, charges or other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities and acceptances or acceptance credits, hire purchase commitments or guarantees or other material contingent liabilities.

7. The minimum amount which in the opinion of the directors must be raised by the issue of the Ordinary Shares in order to provide for the matters referred to in paragraph 4 of the Fourth Schedule to the Companies Act 1948 is £243,225 made up as follows:—

(i) purchase price of property: £242,725;

(ii) preliminary expenses (including VAT) payable by the Company: £500;

(iii) repayment of moneys borrowed for preliminary expenses: nil; and

(iv) working capital: nil.

No amount is to be provided in respect of any of the matters aforesaid otherwise than out of the proceeds of the issue.

8. Certain of the securities conditionally agreed to be transferred by the Murray Trusts as referred to above were purchased in the two years preceding the date of this Prospectus as follows:—

Date	Company	Shares	Number of Shares	Price per share
15. 5.80	ATS	Ordinary Shares of £1 each	90,000	240p
4. 3.81			57,300	37.5p
26.12.80	CASE	Ordinary Shares of 5p each	88,500	600p
18.12.80	Corintech	Cumulative Preferred Ordinary Shares of £1 each	20,500	976p
		Redeemable Preference Shares of £1 each	200,000	100p
2.6.80	Jermyn	"A" Ordinary Shares of 25p each	200,000	392p
21.7.80	TDS	Convertible Preference Shares of 5p each	110,000	300p
27.2.81	Trans Venture	Bearer Shares of Sw. Fr. 400 each	2,400	£128

9. The Murray Trusts own 8,400 "A" Ordinary Shares of £1 each and £240,000 of 6 per cent. Unsecured Loan Notes 1987/2005 in Candover Investments Limited and 540 "A" Ordinary Shares of 5p each and 150,000 Redeemable Preference Shares of ½p each in Venture Founders Capital Limited.

10. The registered office of each of the Murray Trusts is 163 Hope Street, Glasgow, G2 2UH.

11. (i) Dr. P. G. Barnwell, a director of the Company, owns 25,100 Ordinary Shares of £1 each in Corintech.

(ii) Mr. R. S. Peters, a director of the Company, is an alternate director of ATS for Mr. G. Ross Russell, a partner in Laurence, Prust & Co., which will be receiving fees in connection with this issue.

(iii) Mr. J. R. Johnstone and Mr. R. S. Peters, directors of the Company, are directors of Murray Johnstone Limited which is the manager and secretary of the Company and of the Murray Trusts.

(iv) Mr. A. M. M. Stephen, a director of the Company, is a director of each of the Murray Trusts.

(v) Mr. J. R. Johnstone owns 3,643 Ordinary Shares of 25p each in Murray Caledonian Investment Trust Limited and 1,699 Ordinary Shares of 25p each in Murray Western Investment Trust Limited.

(vi) Mr. A. M. M. Stephen owns 1,000 Ordinary Shares of 25p each in Murray Caledonian Investment Trust Limited; 27,231 Ordinary Shares of 25p each in Murray Clydesdale Investment Trust Limited; 1,579 Ordinary Shares of 25p each in Murray Northern Investment Trust Limited; and 84,195 Ordinary Shares of 25p each in Murray Western Investment Trust Limited. Mr. A. M. M. Stephen's wife owns 14,406 Ordinary Shares of 25p each in Murray Clydesdale Investment Trust Limited.

12. None of the directors has any service contract with the Company. The aggregate fees payable to directors in respect of the period to 31st March, 1982 are expected to amount to £16,000.

13. Save as disclosed herein (1) no director has any interest, direct or indirect, in the promotion of, or in any assets which have been or are proposed to be acquired or disposed of by or leased, to the Company and (2) no director is materially interested in any contract or arrangement subsisting at the date hereof which is significant in relation to the business of the Company.

14. Save as disclosed herein:—

(a) the Company has *not* been notified of any interest in any substantial part of its share capital, and

(b) no director has any interest (as defined in the Companies Act 1967, as amended) in the share capital of the Company.

15. The net proceeds of the issue (after deducting expenses which are estimated at £220,000 inclusive of VAT where applicable) will amount to approximately £6,830,805 and, apart from the purchase of securities from Murray Caledonian, will be invested initially in gilt edged stocks and short term deposits, awaiting investment in appropriate high technology companies.

16. The Application List for the Ordinary Shares now offered will open at 10 a.m. on 27th May, 1981 and will close at any time thereafter on the same day.

17. The directors are satisfied that after the issue the Company will have sufficient working capital for its present requirements.

Consents and Documents

Arthur Young McClelland Moores & Co. have given and have not withdrawn their written consent to the issue of this Prospectus with the inclusion therein of their auditors' report and references to themselves and their valuation and report in the form and context in which they are included.

The above mentioned consent and copies of the material contracts listed above were attached to the copy of this Prospectus delivered to the Registrar of Companies in Edinburgh for registration.

Copies of the following documents will be available for inspection at the offices of Moncrieff Warren Paterson & Co., 1 Blythswood Square, Glasgow G2 4AA and Linklaters & Paines, Barrington House, 59/67 Gresham Street, London EC2V 7JA during usual business hours on any weekday (Saturdays and public holidays excepted) for a period of fourteen days following the date of publication of this Prospectus:—

(i) the memorandum and articles of association of the Company;

(ii) the material contracts listed above;

(iii) the report of Arthur Young McClelland Moores & Co. as auditors;

(iv) the valuation and report by Arthur Young McClelland Moores & Co. referred to herein;

(v) the consent of Arthur Young McClelland Moores & Co.;

(vi) the memoranda and articles of association of ATS, CASE, Corintech, Jermyn, TDS and the equivalent document for Trans Venture; and

(vii) the audited accounts of ATS, CASE, Corintech, Jermyn and TDS for the last two completed financial periods for which they have been published.

22nd May, 1981.

Business and Investment Opportunities

READERS ARE RECOMMENDED TO TAKE APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

SMALL BUSINESSES

The Financial Times will be publishing a major editorial review of the present small business climate on Wednesday, June 3, 1981.

The survey will examine and analyse the political, economic and industrial importance of small businesses at a time when they are subject to renewed interest from governments and financial institutions alike. The report will form an important reference work, of interest to all sectors of industry.

Half-size reprints will be made available on request after Monday, June 8. Simply attach your letterhead to a copy of this advertisement and return it to:

John Wisbey, Financial Times
• 10 Cannon Street, London EC4P 4BY

MANAGEMENT COURSES

A FINANCIAL TIMES SURVEY
UK PROPERTY
MONDAY, 13th JULY, 1981

The Financial Times is planning to publish a Survey on UK property. The provisional editorial synopsis and date are set out below.

1. INTRODUCTION
The property market has displayed a continuing resilience during the recession. Tenant demand and rental growth have generally weakened but capital values and investment interest have remained firm. Could a delayed reaction to the recession be on the way?
2. DEVELOPMENT
The pattern of development has been mixed and highly selective: in most provincial centres new office schemes are now becoming viable again. Is there a serious oversupply of new industrial space?
3. INVESTMENT
Yields for most types of prime property remain at very low levels, reflecting intense competition among investors for the limited number of purchasing opportunities becoming available. Are institutional criteria for property investment changing?
4. SHARES
5. INDUSTRIAL SECTOR
6. RETAIL SECTOR
7. OFFICE SECTOR
8. LEGISLATION
9. INNER CITIES AND ENTERPRISE ZONES
10. THE DEVELOPMENT INDUSTRY AND CONSERVATION
The remainder of the Survey will comprise individual articles on the property markets in the following locations:
SCOTLAND
WALES
N. IRELAND
NORTH-WEST
CITY OF LONDON
WEST END
WEST MIDLANDS

For further details and advertising rates please contact:
Simon Hicks
Financial Times, Bracken House
10 Cannon Street, London EC4P 4BY
Tel: 01-248 8000, ext. 3211

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

BUILDING AND CIVIL ENGINEERING

Hospital contract worth £17½m

AN associate of the Laing Group, Al Nahoodah Laing has been awarded a £17½m contract by Sheik Rashid bin Said al Maktoum, deputy president and prime minister of the United Arab Emirates, for the construction and equipping of a hospital at Khor Fakkan, on the north-east coast of the UAE.

Architect and consultant for the project is Arenco.

The 100-bed hospital will consist of a two and three-storey concrete frame building with rendered blockwork walls. It will be provided with complete medical equipment and all furnishings and fittings. The two-year programme includes provision for power generation and distribution, water reticulation, roads and a sewer farm.

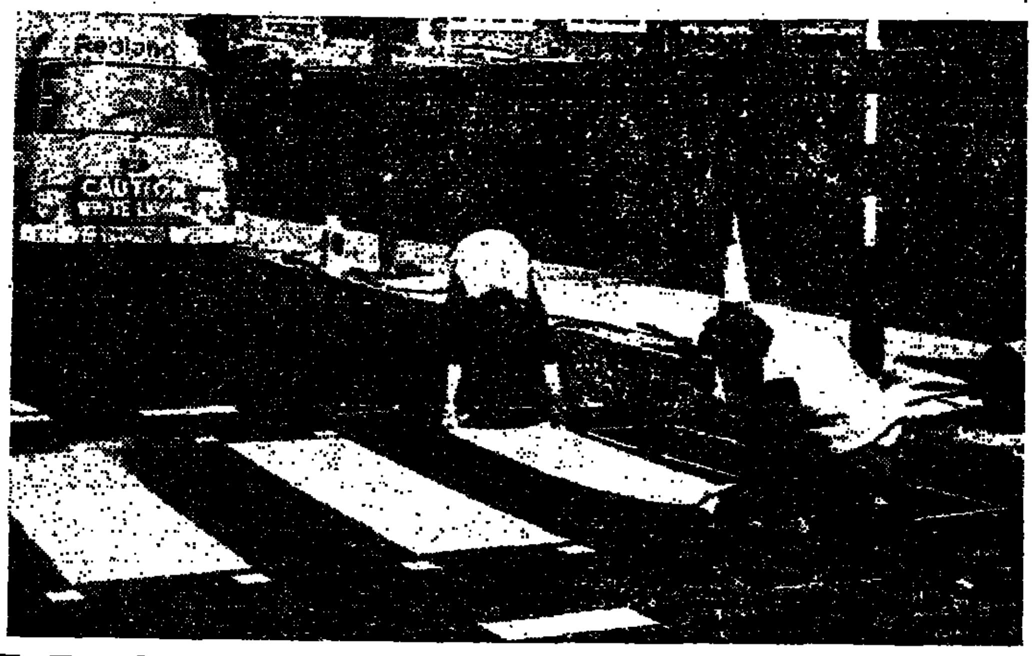
Back at home, John Laing Construction has just started work on the second phase of a £12m redevelopment scheme at Shaftesbury Avenue, London. Westminster City Council has given the go-ahead for the construction of shops, flats and car parking.

The first phase of the redevelopment, undertaken by Laing earlier this year, involved demolition of Sandringham Buildings West, a Victorian tenement block near the junction of Shaftesbury Avenue with Charing Cross Road.

Construction of the new building involves extensive excavation to create a three-level underground car park for 294 vehicles, 45 ft below ground level.

Above ground level, 30 shop units and 115 homes in blocks of up to six-storeys will be built. These will be mainly of reinforced concrete frame, with brickwork cladding and pitched roofs. Completion is due in 1985.

Architects are Diamond Redfern and Partners. Consulting engineers are Clarke, Nicholls and Marcel (structural) and Isherwood, Boyd and Atkinson (mechanical and electrical). Quantity surveyors are Harry Trinick and Partners.



Master plan for Gulf College

DESIGN OF the master plan for the Arabian Gulf University project in Bahrain is to be undertaken by Sheppard Robson Overseas.

The new university is sponsored by the seven Gulf States — Iraq, Kuwait, Saudi Arabia, Qatar, Bahrain, UAE and Oman —and will accommodate 10,000 students when building is finally completed.

The 400 hectare main campus will contain the education and science faculties and there will also be a 31½ hectare site for a marine research station and recreational facilities.

Associated with Sheppard Robson Overseas on this project are Sir Alexander Gibb and Partners (engineering and services), Iraq Consult (Islamic advisers), John Kelsey Associates (landscape and environmental design), Hanscomb Partnership (cost advisers) and various academic advisers from British Universities and higher educational institutes.

Piped water in Malaysia

THE Government of Malaysia has appointed Groundwater Development Consultants (International) to advise on the supply of piped water from groundwater supplies to about 250 village communities in the states of Kedah and Perlis.

The consultant's services will include evaluation of existing data; forecasting demand; design, drilling and testing of the wells; and design of well head systems, storage tanks and distribution systems.

Groundwater Development Consultants will work in association with Indonesian consultants, Juruters Konsultant (SEA) and an Indonesian drilling contractor, Syarikat Timor Deep Welling.

The main consultants, who are associated with Sir M. MacDonald and Partners of Cambridge, will be responsible for the drilling and construction of wells and the design for piping the water to the villages.

The construction cost of the drilling programme alone is estimated at £1.15m. Completion is planned for 1983.

Busy summer for Crown House

A BUSY summer lies ahead for Crown House Engineering following the award of £4.7m worth of contracts in areas stretching from London to Glasgow.

The largest award, worth £1.6m, from Babcock Power Production Division, is for mechanical and electrical installations at the latter's Renfrew works.

In Wales, mechanical services at five advance factories in Cardiff are to be provided at a cost of £410,000 for the Welsh Development Agency, while in Swansea a £500,000 contract for coal treatment plant switchgear, cabling and lighting from Unifloc is now underway.

Gee Walker Slater has awarded Crown House a £600,000 contract for mechanical services at the Institute of Geological Sciences at Keyworth, Nottingham and BL cars has awarded a £283,000 electrical service contract on behalf of BL Technology.

Other contracts are at King's College Hospital for South East Thames Regional Health Authority (£250,000) at Chester le Street for Wimpey Construction which is management contractor there for new civic offices (£700,000) and for Bernard Sunley at Putney in south-west London (£375,000) where an office building is under construction.

Supermarket work for Espley

THE ESPLEY-TYAS group says it has won new contracts totalling about £6.8m.

Among the latest awards is a £1.8m development at Kidderminster, Worcs, for J. Sainsbury. This will involve both construction and fitting out of a supermarket. Another supermarket job, worth £1.1m, is for Tesco at Cannon Park, Coventry, where a supermarket is to be fitted out. An adjacent unit is also to be fitted out as a restaurant.

Also in Coventry the group is starting work on £1.1m extension to the Lanchester Polytechnic, while in Wales a £1m three-storey science building with a single-storey extension is to be erected at Monmouth Boys School for the Worshipful Company of Haberdashers.

Close to its headquarters in Evesham, Worcs, Espley-Tyas is refurbishing a building for Boots. Other local contracts are said to total about £1.25m.

Battersea development reports progress

AN ASSOCIATION has been formed by the Morgan Crucible Company and Wates Built Homes to redevelop the major part of Morgan's old site at Battersea for family houses and flats. Informal discussions with the London Borough of Wandsworth on the detailed planning aspects are now under way.

In March last year Wandsworth granted final and detailed planning permission for the development of the 10.716-acre site by Battersea Bridge for houses and flats and a 110,000 sq ft office block.

Potential

Because the Borough's application for part of North Battersea (including the Morgan Crucible site) to become an Enterprise Zone was not resolved until July, and because it was necessary to examine carefully the financial and marketing potentialities of the residential area, it is only possible to report progress, Morgan and Wates announce in a joint statement.

Morgan hopes to be able to proceed with the office building part of the scheme as a separate development. This will complete the development of the whole site.

Mark-up for the roads with a peel-off thermoplastic material

PRISMO PLASTIX, a prefabricated, polymerised thermoplastic road marking material is now available in the UK from Prismo Universal of Crawley, Sussex (0342 714949).

The company claims that the product, with ease of application and the use of non-skilled labour has a documented wear life up to 10 years.

The material is supplied pre-cut in rolls or packs and is self-adhesive. Installation requires only the peeling of the backing paper, application of an activator and positioning on the road surface.

Two types are available. Plastix high traction is said to be particularly suitable for urban roads with lighting and where wet weather skid resistance is important. For unlit roads, where reflectivity is a factor, Plastix high retroreflectivity is recommended.

For lane markings in rural areas the material is available in 1.5 mm thickness and 2.3 mm where there is high traffic volume.

The company says that the material is suitable for application on asphalt, bitumen macadam, concrete and small particle size surface dressed roads.

Cleethorpes outfall contract

A CONTRACT for the construction of the new southern outfall pumping station at Cleethorpes has been awarded to Biggs Wall and Co., by the Lincoln Sewage Division of the Anglian Water Authority.

Valued at about £2.57m the work will involve the construction of a heavily reinforced concrete chamber, 25 by 25 by 14 metres surmounted by an architecturally designed brick clad steel framed structure housing the pumping equipment. Ancillary work will include the diversion of existing flows and alterations to pipework.

Pie bakery

BOVIS Construction has been awarded a £2.75m contract to build a pie bakery at Queens Drive Nottingham, for Pork Farms. Work on the project will start in June and should be completed by next April.

The bakery, which will be capable of producing 600,000 pies a week, will also include a kitchen, canteen and administration areas.

The building will cover an area of about 5,400 square metres and will be of steel framed single-storey construction with a light weight aluminium cladding.

Coleman Group to build £1.3m operating suite at Amersham

CONTRACTS totalling more than £2.3m have been awarded to Coleman group companies.

Of these awards, two worth over £1.9m have gone to Benfield and Loxley. One is worth more than £1.3m and was won in partnership with Rosser and Russell from Oxford Regional Health Authority to build an operating suite at Amersham General Hospital in Buckinghamshire.

The other contract, worth £600,000, has been awarded by Newbury Weekly News and is for a steel-framed building.

Coleman Contractors (Oxford) has just started a job for Buckinghamshire County Council. This is worth £455,000 and is for a single-storey building which will house a day centre for the disabled and elderly at Hartwell End, Aylesbury.

U.S. Navy deal in Indian Ocean

IN JOINT venture with Raymond International and Brown and Root, John Mowlem has been appointed prime contractor for construction work for the U.S. Navy on the island of Diego Garcia in the Indian Ocean.

The U.S. Congress has authorised expenditure of U.S.$100m for the 1981 fiscal year and the work planned for this year includes cargo and passenger terminals, some marine work and runway facilities.

Expansion of deep water wharves will start this year and new warehouses and transit sheds built. Telephone, power, water and sewerage infrastructures will also be included.

In the UK, Mowlem has been awarded a £1m contract by Humberside County Council calling for advance earthworks for the Goole by-pass.

Rapid transit in Calcutta

WORK worth nearly £7.5m in connection with the construction of the new rapid transit system for Calcutta, India, is to be undertaken by Cemindia a member of the Specialist Engineering Division of Cementation (part of the Trafalgar House Group).

Cemindia's share of this work, as a sub-contractor to Calcutta Metro (Railways), involves the construction of a diaphram wall, with the diversion and removal of road and underground utilities, and the construction of a passenger subway for connecting the existing suburban railway station at Dum Dum, north of Calcutta, with the RTS line.

Roadworks

THE FIRST phase of major roadworks has been started in Bridgewater, the fifth district in Warrington New Town to be developed by Warrington and Runcorn Development Corporation.

The £472,256 contract has been awarded to Galliford and Sons; it includes building more than 750 yards of single carriageway road from Lyons Lane close to the Broom Cottage nature area.

Woolworth

DESIGN and construction of three stores for F. W. Woolworth at Kendal, Cumbria and in Norfolk at Wymondham and North Walsham is to be undertaken by Lesser Design and Build. The contracts are worth more than £1¼m.

Work on the 740 square metre steel-framed Wymondham store is under way and completion is expected by October. A start has also been made on the 738 square metre North Walsham store which is due for completion in April next year.

Refurbishment

REFURBISHMENT of a building in Moorgate, London EC2, in readiness for occupation by the West German bank, Hessische Landesbank-Girozentrale has been started by John Lelliott.

The £¾m contract covers provision of office accommodation, a dealing room, data processing room, heating, electrical and ventilation services.

Other refurbishment jobs for Lelliott are at 48 and 49 Russell Square, London WC1 (£163,000), at Princes House, Gresham Street, London EC2, for The Standard Life Assurance Company (£2m) and at 34 Rose Street, London WC2, for Alliance Assurance Company (£254,000).

Warehouse

CONSTRUCTION of a warehouse and office complex at Round Spinney, Northampton, has been started by Sir Robert McAlpine and Sons.

The contract has been awarded by Ossory Road Estates and involves excavation of 15,000 cubic metres of ground to a maximum depth of five metres. The structure will have a steel frame and be brick clad. It will measure 84 by 72 metres and be 10 metres high.

Architects are Michael Lyell Associates, quantity surveyors Rex Procter and Partners and consulting engineers Franks and Lewin.

COMPANY NOTICES

London Borough of HOUNSLOW Variable Rate Stock 1982

For the six months from 25th May, 1981 to 25th November, 1981 the interest rate on the above stock will be 13.5% per annum

Midland Bank Limited
Registrars

BAYER AKTIENGESELLSCHAFT

The Annual General Meeting of Bayer Aktiengesellschaft will be held on 24th June, 1981, at Cologne. Payment of a 14% Dividend for the year ended 1980 will be proposed.

Copies of the Company's Annual Report for 1980 in German will be available from:—
Hambros Bank Limited.
Hill Samuel & Co. Ltd.,
Kleinwort, Benson Limited.
S. G. Warburg & Co. Ltd.

The report in English is in the course of preparation.

United Kingdom Shareholders who wish to attend and vote at the Annual General Meeting should by 16th June, 1981, inform S. G. Warburg & Co. Ltd., Coupon Department, St. Albans House, Goldsmith Street, London, EC2P 2DL, who will make the necessary arrangements on their behalf.

BAYER AKTIENGESELLSCHAFT
25th May, 1981.

COMPAGNIE FINANCIÈRE DE SUEZ
Société Anonyme
Registered in France with a capital of Frs. 1,420,380,900
Registered Office:
1, rue d'Astorg, 75008 PARIS

GENERAL MEETINGS OF SHAREHOLDERS
12th June 1981

NOTICE IS HEREBY GIVEN that the Annual General Meeting of shareholders of Compagnie Financière de Suez will be held at the Grand Auditorium of the Palais des Congrès, Centre International de Paris, 2, place de la Porte Maillot, 75017 Paris, on Friday, 12th June 1981, at 2.30 p.m. The agenda will be as follows:
—Report of the Directors;
—Reports of the Auditors;
—Approval of transactions and Accounts for the financial year 1980 and the Balance Sheet as at 31st December 1980;
—Allocation of profit and fixing of dividend;
—Transfer from the general reserve to increase the legal reserve to a tenth of the share capital;
—Vote on the Special Report of the Auditors;
—Discharge from duty of two Directors whose term of office ended in 1980;
—Renewal of term of office of the Statutory Auditors;
—Delegation of powers regarding compliance with formalities.

Only members holding at least five shares may take part in the Annual General Meeting, subject to the right of holders of fewer shares to combine their holdings (Art. 41 of Articles). However, holders of less than five shares being called to attend, immediately afterwards, the Extraordinary General Meeting, will be permitted to attend the Ordinary General Meeting. It is, however, understood that they will not be able to take part in discussions or vote on the resolutions put forward.

NOTICE IS ALSO GIVEN that an Extraordinary General Meeting will be held at the close of the above meeting. The agenda will be as follows:
—Increase of share capital in application of the Act of 24th October 1980 providing for an exceptional distribution of shares in favour of employees: method of application and authority to the Directors.

All shareholders may attend this Meeting whatever the number of their shares.

One attendance allowance of 20 francs will be granted to each shareholder present, whatever the number of shares held and whether one or two Meetings are attended.

Attention is called to the fact that, in accordance with Art. 34 of the Articles, "no one may act as proxy for a shareholder at a meeting unless that person is a shareholder, or the spouse, or the legal representative of the said shareholder."

Holders of registered share certificates will receive direct from COMPAGNIE FINANCIÈRE DE SUEZ the forms required to attend these Meetings or be represented thereat.

Joint owners are required to appoint one of themselves to deal on their behalf with the Company and the person so appointed shall be regarded as the owner.

In accordance with the requirements of Article 163 of the Act of 24th July 1966 and of Art. 35 of the Articles, voting rights at the Ordinary General Meeting apply to persons beneficially entitled to the income from shares and at the Extraordinary General Meeting to shareholders with only a capital interest.

To have the right to attend or be represented at these Meetings, holders of registered share certificates must be entered on the Company's Registers at least five days before the date of the Meetings, and holders of share warrants to bearer must deposit either their securities or the certificate of deposit of these securities, at the Registered Office of the Company or with Banque de l'Indochine et de Suez, 62-64 Bishopsgate, London EC2N 4AR, also at least five days before the Meetings.

Shareholders unable to attend the Meetings but wishing to be represented thereat must lodge proxy papers with the Company at least five days before the Meetings (Art. 34 of Articles).

Shareholders who intend to be present at the Meetings are requested to notify the Company's Registered Office as soon as possible, but at least five days before the date of the Meetings.

BY ORDER OF THE BOARD

PUBLIC NOTICES

BANK OF GHANA

NOTICE NO. BG/GOV/SEC/80/13
NOTICE TO THE PUBLIC

ESTABLISHMENT OF FOREIGN BANK ACCOUNTS

The Bank of Ghana announces that with effect from 2nd January, 1981, convertible cedi accounts may be opened by non-resident Ghanaians that is, Ghanaians living abroad, with authorised banks (Ghana Commercial Bank, Barclays Bank of Ghana Ltd., Standard Bank Ghana Ltd.) in Ghana.

Authorised banks will pay interest in foreign exchange on time or call deposit accounts opened for their customers at rates comparable to those ruling in the country of the deposit currency.

The accounts will be fed only with foreign exchange (U.S. Dollars, Pound Sterling, Deutsche Marks only).

The authorised dealer banks will keep the foreign exchange accruals and invest them with their overseas correspondents. They should, however, submit weekly returns to Bank of Ghana of all foreign exchange deposits they hold abroad.

The operation of the Foreign Accounts by the depositors would be free from Exchange Control restrictions. Transfers abroad from these Accounts will be made without Exchange Control approval.

The appropriate Exchange Control Forms:
(i) T2 for travel;
(ii) A1 for imports; and
(iii) B1 for other transfers
need only be completed by the authorised dealer bank handling the transaction.

B. A. ARYEH
The Secretary.

December 30, 1980.

INVERESK GROUP LIMITED

Notice is hereby given that a certified copy of the Interlocutor dated 15th May, 1981, of the Court of Session, Scotland, sanctioning a Scheme of Arrangement and confirming the reduction of the Capital of Inveresk Group Limited in terms of Special Resolutions passed on 20th March 1981 was registered with the Registrar of Companies on 13th May, 1981.

DUNDAS & WILSON, C.S.,
25 Charlotte Square,
Edinburgh. EH2 4EZ.
Solicitors for Inveresk Group Limited

PERSONAL

REMEMBER A DEPARTED FRIEND

with a tribute that blooms in lasting happiness for old people. There is no more fitting memorial to a loved name than to link your regard with enduring work for the lonely or frail.

Every £ you give towards a Day Centre or medical assistance among elderly people in great need achieves a great deal, thanks to volunteers all over Britain. Please send your gift with the name you wish to commemorate to:

The Hon. Treasurer
The Rt. Hon. Lord Maybray-King,
Help the Aged, Room FT1NM,
32 Dover Street, London W1A 2AP.

APPOINTMENTS

Chairman at Kenning Motor Group

Mr. David B. Kenning has been appointed chairman and managing director of the KENNING MOTOR GROUP following the death of Mr. George Kenning. Mr. David Kenning has been with the Kenning Motor Group since 1947 and was appointed director in 1950. He was appointed joint managing director with Mr. George Kenning in 1956.

*

Mr. Terry Clarke, area director, West End (west) area, has been appointed deputy regional director at NATIONAL WESTMINSTER BANK'S south-west regional office. He succeeds Mr. R. A. Bramall upon his retirement.

*

Mr. Denis Reilly, branch director at Barclays Bank, 63 Colmore Row, Birmingham, has been appointed to the Board of two companies in the Wolverhampton-based WHITTINGHAM GROUP. Mr. Reilly is chairman of Woodhall Mechanical Services. He has also joined the Board of Colortrend Holdings as a non-executive director.

*

Mr. D. van Wely has joined the TAMWADE GROUP as managing director of COMBEX and a director of TAMWADE. He replaces Mr. Ralph Stevens who has left the group.

*

Mr. D. H. Craiggs has been appointed a director of NBP PROJECT MANAGEMENT, NORTH BRITISH PROPERTIES (SCOTLAND) and NBP DEVELOPMENTS. Mr. D. I. Thomson, Mr. C. J. Dixon and Mr. N. W. B. Goodwill have been appointed directors of NBP Developments.

*

Mr. Bill Davis, company secretary and financial controller, and Mr. Soren Aarup have been appointed general managers and alternate directors of PRIVATBANKEN, London. Mr. Aarup joins the London bank from Copenhagen and will be responsible for the bank's Scandinavian business and capital markets activities.

*

Mr. Jacques Margry, marketing director, has been appointed managing director of the PARKER PEN COMPANY.

*

Mr. Sydney Codling, managing director, has been appointed chairman of AIRTECH and HOZELOCK. Mr. Codling is succeeded by two managing directors—Mr. Roy Lawson and Mr. David Codling. Both companies are part of Ropner Holdings.

*

Lord Hartington has been elected a vice-chairman of the BRITISH FIELD SPORTS SOCIETY in place of Mr. Richard Greenwood who has retired.

Mr Guy Checketts, deputy chairman and managing director of Hawker Siddeley International and Mr. R. H. George, chairman and managing director of Celluware, have become members of the BRITISH OVERSEAS TRADE BOARD.

*

Mr. W. D. T. Tapley, deputy managing director of BTR, has been appointed president of BRITISH RUBBER MANUFACTURERS' ASSOCIATION. Mr. Tapley succeeds Mr. Peter Fisher, deputy chairman of Avon who has been president for the past two years.

Mr. R. A. Henderson has retired as a director of THE EQUITABLE LIFE ASSURANCE SOCIETY.

*

Mr. Sid Robson has been elected president of the ASSOCIATION OF INDEPENDENT CONTRACT RESEARCH ORGANISATIONS for 1981-83. Dr Cedric Ashley is vice-president.

*

THE STOCK EXCHANGE has appointed Mr. R. H. Armstrong as data processing director.

*

Mr. Charles B. Mullins has been appointed deputy chairman of the SOUTH WALES ELECTRICITY BOARD from June 1, 1981 until July 8, 1983. He has been secretary of the South Wales Board since 1976.

*

Mr. Gerald J. Meyer has been appointed corporate vice-president external relations of McDONNELL DOUGLAS CORPORATION of the U.S. to succeed Mr. Richard T. Davis who is retiring. The changes become effective on July 6.

*

Mr. Maurice Aitken has retired from the Boards of ELECTROLUX LIMITED and ELECTROLUX ASSOCIATED COMPANIES LIMITED.

*

Mr. T. E. Harmer has been elected chairman and Mr. T. Edge vice-chairman of the CLOTHING MANUFACTURERS' FEDERATION.

Mr. Eric Daykin, sales director of the NATIONAL BENZOLE COMPANY will become director and general manager on June 1. He will succeed Mr. John Sperring, who is leaving for a position in the retail operation of BP Southern Africa (Pty).

*

Mr. William T. Knowles has been appointed president and chief operating officer and a director of NATIONAL BANK OF NORTH AMERICA, a subsidiary of National Westminster Bank. Mr. Thomas P. Frost is to become vice-chairman and will continue as chief executive officer. Mr. John H. Vogel will remain chairman of the Board. The new appointments take effect from June 1. Mr. Knowles is at present executive vice-president of Bankers Trust Company.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

YESTERDAY
BOARD MEETINGS—
Interims:
North British Steel
DIVIDEND & INTEREST PAYMENTS—
Beckman (A.) 1.55p
Friedland Doggart 2.67p
Greater London 12½pc 1982 6¼pc
Hounslow Variable Rate 1982 £7.6875
Isle of Man Enterprises 4p
Tolex SANPV 21cts

TODAY
COMPANY MEETINGS—
Air Call, 175-184, Vauxhall Bridge Road, SW, 11.00
Bristol Stadium, 11, Mansfield Street, Portland Place, W, 12.30
Chepstow Racecourse, The Racecourse Chepstow, 12.00
Lex Service, 17, Great Cumberland Place, W, 11.00
London United Invs., Glaziers Hall, 9, Montague Close, SE, 12.00
New London Properties, Hilton Hotel, Park Lane, W, 12.30
Padang Senang Rubber, Tubs Hill House, London Road, Sevenoaks, Kent, 12.00
BOARD MEETINGS—
Finals:
Bilton (Percy)
Cakebread Robey
Energy Services and Electronics
Foster (John)
Porter Chadburn
Interims:
BOC International
British Car Auction
Kelsey Industries
Scottish Investment Trust
Scottish National Trust
Stakis (Reo)
DIVIDEND & INTEREST PAYMENTS—
Babcock Intnl. 3.5p
Bank of Ireland Fltg. Rate Cap. Notes 1989 US$45.20
Bristol Stadium 0.5p
Drayton Consolidated Tst. 2p
Kleinwort Benson Lonsdale 6p
Land Investors 0.2p
Padang Senang Rubber 1.1p
Relyon PBWS 3p
Shell Transport and Trading (Reg.) 10.5p. (Do. (Br.) 10.5p
Slough Estates 1.65p
Southend-on-Sea 12pc Red. 1987 6pc
Stag Furniture 3.25p
United States Debenture Corp. 3.58p
Waddle 1.75p

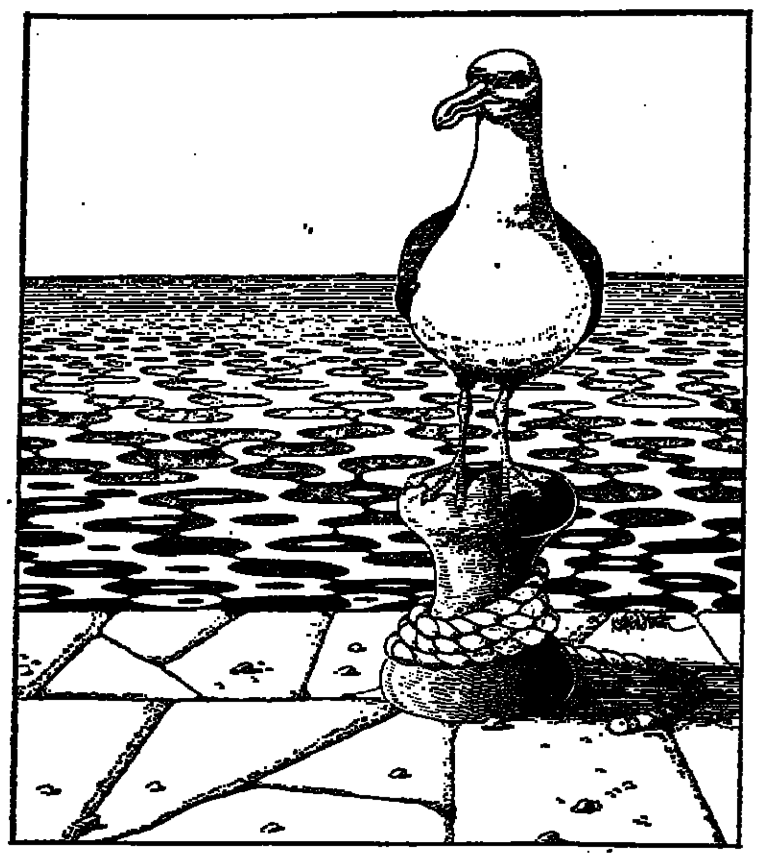
TOMORROW
COMPANY MEETINGS—
Biddle Hldgs., Cafe Royal, Regent Street, W, 12.00
Churchbury Estates, 12-13, Henrietta Street, WC, 10.00
Clyde Petroleum, Central Hotel, Gordon Street, Glasgow, 12.00
Danish Bacon, Hyde Park Hotel, Knightsbridge, SW, 11.00
Elbar Industrial, Winchester House, 100, Old Broad Street, EC, 10.30
Elys (Wimbledon), 22-26, Wimbledon Hill Road, Wimbledon, 6.00
Fogarty (E.), Havenside, Fishtoft Road, Boston, Lincolnshire, 2.15
Guardian Royal Exchange Assurance, Chartered Insurance Institute, 20, Aldermanbury, EC, 12.00
Hanger Invs., Chamber of Commerce, 75, Harborne Road, Birmingham, 2.30
Miller (Stanley), Brandling House, Gosforth Park, Newcastle-upon-Tyne, 12.00
Moss Bros., 21-26, Bedford Street, Covent Garden, WC, 12.00
Northern Engineering, Gosforth Park Hotel, Newcastle-upon-Tyne, 12.00
Phoenix Assurance, Phoenix House, 4-5, King William Street, EC, 12.00
RTZ, Commonwealth Hall, 16-20, Craven Street, WC, 11.00
Rockware Group, Winchester House, 100, Old Broad Street, EC, 3.00
Stone-Platt Inds., The Royal Aeronautical Society, 4, Hamilton Place, W, 2.30
Sun Life Assurance Society, 107, Cheapside, 12.30
Upton (E.), 175-183, Linthorpe Road, Middlesbrough, 7.30
Weir Group, 30, George Square, Glasgow, 12.00
Western Motor, Drake House, Laira Bridge Road, Plymouth, 12.30
Wood (Arthur) (Longport), Bradwell Works, Longport, Stoke-on-Trent, 12.00
BOARD MEETINGS—
Finals:
Allied Irish Banks
Doranakande Rubber Estates
Jersey General Investment Trust
London Atlantic Investment Trust
M. and G.
Monks Investment Trust
New Throgmorton Trust
Takeda Chemical Industries
Interims:
Allied London Properties
Caravans International
General Stockholders Investment Trust
Spring Grove Services
Tate and Lyle
DIVIDEND & INTEREST PAYMENTS—
Air Call (USM) 2.1p
Anglo-American Inv. Tst. 630cts
Broken Hill Proprietary 21cts
Charterhouse Petroleum 0.5p
Jerome (S.) 2.52p
Miller (Stanley) 0.8p
Smith and Nephew Assoc. 2.6p
Wood (Arthur) (Longport) 1p

THURSDAY MAY 28
COMPANY MEETINGS—
Alva Inv. Tst., 24, Blythswood Square, Glasgow, 12.30
Ayrshire Metal Products, Church Street, Irvine, Ayrshire, 4.00
BICC, 21, Bloomsbury Street, WC, 12.00
Baird (William), Central Hotel, Gordon Street, Glasgow, 12.00
Bestwood, 8, St. Bride Street, EC, 12.00
Blackwood Hodge, Dorchester Hotel, Park Lane, W, 12.30
Bowthorpe Hldgs., Gatwick Road, Crawley, West Sussex, 12.00
Brent Chemicals Intnl., Skyline Hotel, Bath Road, Hayes, Middx, 12.00
Charterhouse Group, Plaisterers' Hall, 1, London Wall, EC, 12.00
Dhamal Hldgs., 17, Melville Street, Edinburgh, 9.30
Feb Intnl., Albany House, Swinton Hall Road, Swinton, Manchester, 10.30
Freemans (London SW9), Connaught Rooms, Great Queen Street, WC, 12.00
General and Commercial Inv. Tst., 1, Brewer's Green, Buckingham Gate, SW, 11.45
General Investors and Trustees, 1, Laurence Pountney Hill, EC, 12.00
Greens Economiser, Connaught Rooms, Great Queen Street, WC, 12.00
Harris Queensway, Harris House, 76, High Street, Orpington, Kent, 11.00
KCA Intnl., May Fair Hotel, Stratton Street, W, 3.30
Marlborough Property, Howard Hotel, Temple Place, WC, 11.30
Menzies (John), The Merchants Hall, 22, Hanover Street, Edinburgh, 12.15
Minet Hldgs., Abercorn Rooms, Liverpool Street, EC, 12.00
Newarthill, Imperial Hotel, Russell Square, WC, 12.30
Prudential Corp., 142, Holborn Bars, EC, 12.15
Queens Moat Houses, Shepperton Moat House, Felix Lane, Shepperton, Middx., 12.00
Quick (H. and J.), 660, Chester Road, Old Trafford, Manchester, 11.00
Singlo Group, Empire House, 123, Kennington Road, SE, 10.00
Standard Chartered Bank, Connaught Rooms, Great Queen Street, WC, 12.00
BOARD MEETINGS—
Finals:
Allied Leather Industries
Ansbacher (Henry)
British Syphon
Brunning
Buckley's Brewery
Chapman (Balham)
Courtaulds
Extel
Findlay Hardware
Helical Bar
International Paint
James (Maurice)
M. and G. Second Dual Trust
Normand Electrical
Property and Reversionary Investment Con.
Pyramid (Publishers)
Tranwood
UBM
Young and Co.'s Brewery
Interims:
Causton (Sir Joseph)
Greenall Whitley
DIVIDEND & INTEREST PAYMENTS—
Bank of Montreal 44cts
Burndene Invs. Ln. 4¼pc
Cape Inds. 7.3p
Christies Intnl. 5p
Feb Intnl. Ord and A Ord. 2p
Fogarty (E.) 2.42p
India (State Bank of) Fltg. Rate Notes due 1987 US$85.47
Leeds Fltg. Rate 1982 £7.5469
Lex Service Grup 4.2p
Marlborough Property 0.325p
Prudential Corp. 7p

FRIDAY MAY 29
COMPANY MEETINGS—
Boot (Henry), Banner Cross Hotel, Sheffield, 12.00
Catalin, Farm Hill Road, Waltham Abbey, Essex, 12.00
Expanded Metal, Institute of Directors, 116, Pall Mall, SW, 12.00
Lawrence (Walter), Lawrence Social Hall, Sheering Mill Lane, Sawbridgeworth, Hertfordshire, 12.00
Photax (London), Brampton Road, Hampden Park, Eastbourne, 12.00
Ready Mixed Concrete, Carlton Tower Hotel, Cadogan Place, SW, 11.30
Steel Brothers, Soodes Places, Westcott Road, Dorking, Surrey, 12.00
Ultramar, Great Eastern Hotel, Bishopsgate, EC, 11.00
Websters Group, Winchester House, 77, London Wall, EC, 12.00
Whatman Reeve Angel, Great Eastern Hotel, Liverpool Street, EC, 12.30
BOARD MEETINGS—
Finals:
Capital and Counties Property
Hill (Philip) Investment Trust
Minster Assets
Interims:
Wolverhampton and Dudley Breweries
DIVIDEND & INTEREST PAYMENTS—
Alva Inv. Tst. 5.6p
Ash and Lacy 6.5p
Bank America Corp. 38cts
Bankers' Inv. Tst. 0.6p. Do. 3.5pcPf. 1.75pc
Barratt Developments 3.5p
Bergen Bank A/S Fltg. Rate Cap. Notes due 1989 US$43.29
Boot (Henry) 10p
Border and Southern Stockholders Tst. 1.25p
Bramall (G. D.) 3.5p
Brent Chemicals Intnl. 2.25p
Britannia Arrow 1p
Bryant Hldgs. 0.85p. Do. 5pcPf. 2.8pc
Burroughs Machines Db. 4pc
Carter Hawley Hale Stores 30.5cts
Charterhouse Grp. 2.76p
Citicorp Overseas Finance Corp. Gtd. Fltg. Rate Notes due 1983 US$424.98. Dt. Gtd. Fltg. Rate Notes 1984 US$414.03
City of London Brewery and Inv. Tst. Dfd. 7.1p
Clarke Nickolls and Coombs 2.25p
Continental and Industrial Tst. 5½pcPfd. Do. 2¼pc
Dhamal 4p
Dualvest Income 3.288p
Finlan (John) 2.5p
Forward Technology Inds. 2.3p
Gabinete da Area de Sine sGtd. Fltg. Rate Notes 1982 US$459.74
General and Commercial Inv. Tst.
General Investors and Trustees 3.8p
Harris Queensway 4p
Henriques (Arthur) 1.2p
Highlands and Lowlands Berhad 1.2215p
Intnl. Commercial Bank of China Fltg. Rate Notes due 1983 US$881.56
Jove Inv. Tst. Income 2.3p
Kent (M. P.) 0.575p
Lloyds Eurofinance NV Gtd. Fltg. Rate Notes due 1983 US$86.89
Manufacturers Hanover Capital Corp. Gtd. Fltg. Rate Notes due 1994 US$42.97
Metalrax 1.58p
Morrison (Wm.) Supermarkets 1.8p
North Atlantic Securities Corp. 1.75p
Ogilvy and Mather Intnl. 35cts
Paterson Zochonis 7½pcPf. 3.75pc. Do 10pcPf. 5pc
Palcom 0.55p
Photax (London) 2p
Press (William) 4.9pcPf. 2.22849pc. Do. Ln. 3¼pc. Do. Ln. 4pc
Queens Moat Houses 0.55p
Quick (H. and J.) Grp. 0.815p
Redman Heenan Intl. 4¼pcPf. 1.6625pc
Rockware Grp. 2.1p
Royal Bank of Scotland 5½pcPf. 1.925pc. Do. 11pcPf. 3.85pc
Sharpe and Fisher 1.25p
Sime Darby Berhad 5cts
Southampton, Isle of Wight 5pcPf. 1.75pc
Standard Chartered Bank Fltg. Rate Cap. Notes due 1984 US$86.89
Standard Telephones and Cables 6p
Suter Electrical 1.25p
Tricentrol 5.6p
Ultramar 7p
Wade Potteries 0.5p. Do. Pf. 5pc
Whatman Reeve Angel 1.9p
Wilkes (James) 2.625p
Wood and Sons 7½pcPf. 2.625pc

SATURDAY MAY 30
DIVIDEND & INTEREST PAYMENTS—
Blackwood Hodge 1.5p
English Electric Db. 3pc
Greens Economiser 3.1348p
Home Charm 1.8p

SUNDAY MAY 31
DIVIDEND & INTEREST PAYMENTS—
Ace Belmont Intl. 10pcPf. 5pc
Advance Services 5½pc 2nd. Pf. 1.925pc
Allen (Edgar) Balfour Db. 3⅞pc
Allied Breweries 5½pcPf. 1.925pc. Do. 7½pcPf. 2.625pc
Anchor Chemical 6pcPf. 2.1pc
Armitage Brothers Db. 3¼pc
Automated Security 7.4p. Do. Ln. 4pc
Bank Leumi Le-Israel 8M I50.065
Beecham Grp. Lns. 3, 3¼pc
Berni Inns Db. 3¼pc
Black and Edgington 5pcPf. 1.75pc
Boddington Breweries Db. 3pc
Britannia Arrow 6¾pcPf. 2.3625pc
Burroughs Machines Lns. 1⅞ 2¼pc
Canning (W.) Ln. 3¼pc
Central and District Properties Ln. 3¼pc
Cropper (James) Ln. 4½pc
Dentsply Stg./Dollar Ln. 4½pc
Dunlop Plantations 6pcPf. 2.1pc
European Ferries 4½pcPf. 1.575pc
FFI (UK Finance) Db. 3¼pc
Fundinvest Income 1.734p
General Electric Co. Fltg. Rate Cap. Notes 1986 £7.6353
Gestetner Ln. 5pc
Grange Tst. 5pcPf. 1.75pc. Do. Db. 2¼pc
Greene King Ln. 3¼pc
ICL PLC Db. 3¼pc
Imperial Chemical Inds. Ln. 3¾pc
Jersey General Inv. Tst. 5½pcPf. 2.75pc
Johnson Matthey Db. 2¾pc
Kaiser Aluminium and Chemical Corp. 35cts
Leadenhall Sterling Ln. 2½pc
Lewis (John) Properties Dbs. 2¾ 3¼pc
Linfood Ln. 6pc
London and European Ln. 5¼pc
London and Montrose Inv. Tst. Db. 2½pc
McCorquodale Lns. 3¼ 4¼pc
Mid-Sussex Water 4.025pcPf. (fmly. 5¾pc) Red. Pf. 1982-85 2.0125pc
NCR Lns. 2 4¼pc
Newcastle and Gateshead Water 8pc Red. Pf. 1987 1.854795pc
Norcros Ln. 3¾pc
Northern Foods Dbs. 3¼ 3¾pc
Norton and Simon Inc. 27cts
OK Bazaars Pf. 3pc
Ozalid Grp. Ln. 4¼pc
Raeburn Inv. Tst. 5pcPf. 1.75pc. Do. Ln. 2¼pc
Sainsbury (J.) Db. 3¼pc
South Tyneside 12¼pcRed. 1986 6¼pc
Stoddard 5pcPf. 1.75pc
Talbot Motor Dbs. 2 2¼pc
Trade Development Bank SA Reg. 125cts. Do. Br. 125cts
Travis and Arnold 7pcPf. 2.45pc
Triplex Foundries Db. 3¼pc
Wagon Industrial 3½pcPf. 1.75pc



(Advertisement)

DAI-ICHI KANGYO BANK

DKB ECONOMIC REPORT

May 1981: Vol. 10 No. 5

Some signs of improvement are beginning to show up in Japan's domestic business

While the worldwide economic slump persists and domestic business remains basically weak due to slow consumer demand, some signs of improvement are coming into sight on the domestic economic horizon with the start of the new fiscal year. With prices steadily growing in stability, domestic business is expected to turn gradually upward.

After showing an unexpected firmness in the past few months, the U.S. economy is indicating a slowdown in some areas, such as industrial output, housing starts and leading indicators of business. In light of this development, some analysts are predicting that the economy may enter another recession.

In Europe, the picture is even grimmer. The economies of Britain, France and West Germany are all in serious trouble and unemployment in the European Economic Community as a whole tops 8.5 million people, posing a grave social problem. The economic growth rate for the EC in 1981, which was projected to be 0.6 per cent last November, has recently been revised downward to minus 0.6 per cent.

In addition, most European countries are suffering from double digit inflation, leaving financial authorities with no choice but to keep credit tight.

Continuing weakness of domestic business

While the global business slump persists, the Japanese economy also has been continuing weak. The real GNP growth in the fourth quarter of 1980 was at a seasonally adjusted annual rate of 2.3 per cent. This moderate performance mirrored a relative slump in final private consumption expenditures (up 0.3 per cent over the preceding quarter) and private housing investment (down 4.5 per cent).

As far as mining and manufacturing production in this year's first quarter is concerned, the domestic economy appears yet to move out of the doldrums. Continuous slowness of final demand is causing inventory adjustment of products, especially basic materials, to be prolonged. The product inventory ratio index (1975=100) in February stayed at a high level of 89.4, which was 19.1 per cent ahead of a year earlier.

On top of the continuing slump of the economy as a whole, there are increasing signs of deterioration at the micro-economic level.

First of all, corporate results are headed for decline as a result of softening of the market and rising cost pressures stemming from production cutbacks. A survey by the Bank of Japan predicts a 19.5 per cent drop in corporate profits in the second half of fiscal 1980 (ended March 31) from the preceding six months.

Another concern is sluggishness of employment-related indicators that reflect a low level of production to cope with prolonged inventory adjustment. February's unemployment rate (seasonally adjusted) worsened 0.17 per cent from January to 2.23 per cent. Overtime worked during the month also fell by 2.9 per cent from a year earlier.

Some signs of improvement

It is notable, however, that some signs of improvement are emerging.

The commodity market, for example, is turning firm. The Nikkei commodity price index at the end of March, rebounded for the first time in seven months as prices of food, petroleum, nonferrous metals and steels became firm. The turnabout is believed to have occurred as production cutbacks are eventually beginning to have effects, even though demand remains sluggish.

Other cheerful signs are: 1) the leading indicators in the diffusion index stayed above 50 per cent for three months in a row through March and 2) the production forecast index for mining and manufacturing in April is showing a marked rise of 2.1 per cent over March, coupled with a sharp improvement of 1.7 per cent in the operating rate index in February. These trends would justify expectations of a gradual, moderate improvement in domestic business.

Consumer demand—key to business recovery

The key to the recovery of domestic business is held by the trend of final private consumption. The report on household economy in January showed consumption expenditures rose 7.2 per cent over the corresponding month of last year, but fell 0.2 per cent after inflation. The drop in the inflation-adjusted consumption level had narrowed thanks to a slowdown of consumer price advances, however.

With wage settlements in this year's spring "labor offensive" ending up with an increase slightly larger than last year's on the average, and given the prospects for further stability in prices, inflation-adjusted "real" consumer expenditures can reasonably be expected to show a gradual recovery.

As for private housing investment, which has been severely depressed, housing starts in February stood 7.3 per cent below the year-before level — the first time in nine months that such a drop was single digit. This does not mean, however, that housing has bottomed out, because houses built without governmental financial assistance still trailed the year-before level by more than 10 per cent. The slump in private housing is likely to continue for some time to come.

Fiscal spendings are firm. Payments from the Treasury for public works, for example, rose 11.9 per cent in February from the same month of 1980 and 17.6 per cent in March. The amount of contracts signed for public works recorded a significant rise of 15.3 per cent in March. Since the Government plans to step up public works investment during the early months of fiscal 1981, fiscal spendings in the first half of the fiscal year are expected to remain active.

Slowing capital investment and export

The pace of increase in business capital investment appears to be somewhat losing steam compared with some while ago on account of a continuously low operating rate and aggravation of corporate results. The growth of shipments of capital goods (excluding transportation equipment) was 2.6 per cent each in the third and fourth quarters of 1980, but dropped by 0.7 per cent in January and grew by 1.3 per cent in February. Orders for machinery fell by 31.4 per cent in January and by 0.1 per cent in February.

Expansion of exports is also showing signs of slowing. Export volume on a customs clearance basis in the first quarter of this year posted an increase of 12.8 per cent over a year ago, which compared with 19.2 per cent and 16.1 per cent, respectively, in the third and fourth quarters of 1980.

The likelihood is that the growth of exports will continue to be slow down in the coming months.

Prices are becoming solidly stable. Wholesale prices in March remained unchanged from February, with the rise from the level a year earlier ending up at a mere 1.8 per cent. Despite a slight increase in import prices due to the decline of the yen, the March index recorded a flat growth owing to drops in prices of most domestic products, and the trend is likely to be maintained for some time.

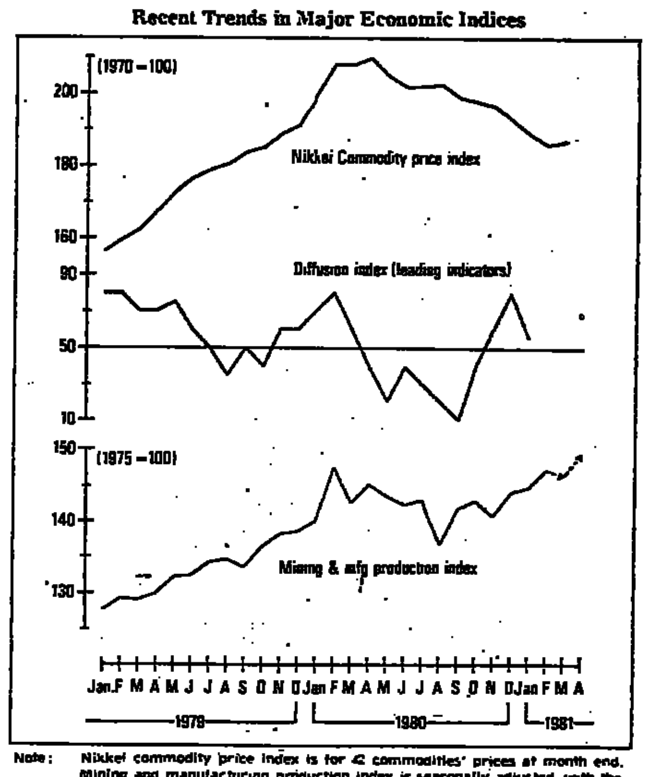
Consumer prices in March grew 0.6 per cent from February because of rise in prices of vegetables and eggs. Compared with a year earlier, they were 6.5 per cent ahead. In the absence of major factors that can push up prices in the months immediately ahead, the trend appears to be leveling off.

Easy money mood

In the wake of the March 18 discount rate cut (by 1 per centage point) and the subsequent lowering of interest rates on deposits effective April 13, the feeling of monetary relaxation has become widespread on the money market. Long-term interest rates are scheduled to be trimmed from May.

Corporate fund demand remains basically strong as liquidity at hand has been exhausted, while a high level of inventory requires a large amount of financing. Helped by the Bank of Japan's liberal policy about lending volumes, banks are ready to meet strong corporate fund demand.

Recent Trends in Major Economic Indices



Note: Nikkei commodity price index is for 42 commodities' prices at month end. Mining and manufacturing production index is seasonally adjusted, with the index for March and April, 1981 estimated from the manufacturing industry production outlook index.
Source: Economic Planning Agency, Ministry of International Trade & Industry and Nihon Keizai Shimbun

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The next DKB monthly report will appear June 26.

INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS

BY FRANCIS GHILES

A busy week for underwriters

TWENTY-ONE new international bond issues worth a total of $872m were launched last week, 14 of them on Tuesday. Nearly half of the amount was accounted for by dollar denominated bonds.

The deluge illustrates the large pent-up demand for funds which has been stifled in recent months by the rapid rise in dollar rates. This surge has sharply pushed up interest rates in most major currency sectors of the bond international markets, making the launching of new issues exceptionally difficult.

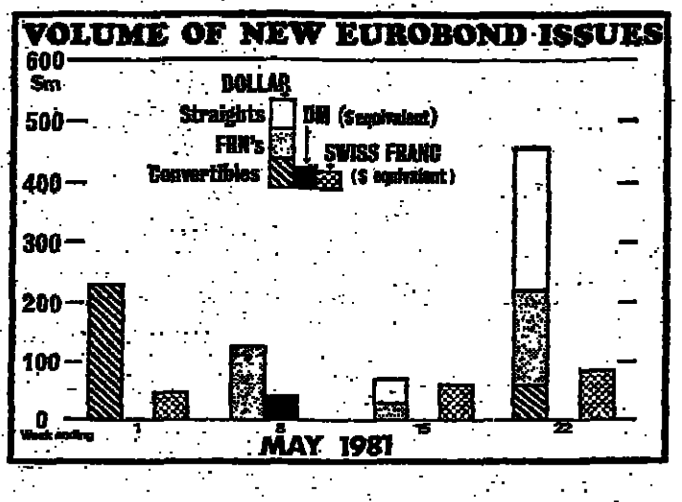
One notable feature of last week's new issuing activity was the absence of D-Mark bonds. The two issues entered into the monthly calendar agreed every month by the West German Capital Markets Sub-Committee were cancelled because of the weakness of the market and the minimal of buying interest for foreign D-Mark bonds displayed by both international and local investors.

Six new fixed interest dollar bonds were announced, marking the first important new issue "window" for such paper in two months. This sector had been stable since the beginning of May and better than expected U.S. money supply figures 10 days ago convinced many bond houses that the time was ripe to bring borrowers to the market.

But the total amount of new paper on offer, $240m, was smaller than on some previous occasions when a window has opened, and although dollar bonds weakened over the week, price falls were not dramatic.

Swedish Export Credit was first in the market on Tuesday, through Morgan Stanley. It offered bonds on a yield basis, initially 15⅛-15¼ per cent for five years. The bonds were priced the following day, after the yield had been raised to a final 15.9 per cent.

The $50m bond to 1986 for Hiram Home Oil was initially offered on a yield basis of 15⅛ per cent by S. G. Warburg. That figure was raised to 16 per cent on Friday and the selling period prolonged by a day, to May 27, to take account of the weakening of the market which occurred in midweek.



The 15⅜ per cent issue to 1988 for the City of Winnipeg has an open price and the only criticism levelled against it by some institutional investors is that its small size will make it hard to trade in the secondary market. This point was also raised in connection with the issues for Tordom Corporation and Bank of Nova Scotia. These two are "bought" deals, having had final terms set by the lead manager before the beginning of the offering period.

The 15⅛ per cent GTE bond to 1986 was conspicuous for the absence of a number of well-known names from the management group. This is understood to have reflected doubts over the wisdom of setting a lower yield for GTE, a triple B rated borrower, than that on the Winnipeg issue, which had appeared a day earlier and was for a triple A rated borrower.

The lead manager, Orion Bank, argued that the yield offered on the new GTE bond was higher than investors could obtain on outstanding issues for the same borrower. The critics retorted that in a nervous and fragile market, yields on outstanding issues, be they for the same borrower, were a poor guide.

The events of last week suggested to many bond houses that buyers could be found, but only for moderate amounts of paper offering a fairly generous yield.

Trading conditions remain very difficult in the D-Mark foreign bond market. The weakness of the D-Mark against the U.S. dollar makes such paper unattractive to foreign investors, while domestic investers prefer to buy higher yielding domestic D-Mark paper. Traders in Germany said that for many hours each day last week there was no trading. Seasoned foreign D-Mark bond prices shed ¾ of a point on the week.

In Switzerland, prices were mixed in very thin trading. Private placements for Japanese names constitute the bulk of new issues.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
††RENFT	100	1991	—	6¼	100	Soditic	6.500
†Korea Devel'pm't. Bnk.	30	1991	—	8	100	Keyser Ullman, Nordfinanz, Kredietbank	8.000
†European Asian Cap. NV	40	1991	—	7⅞	99½	UBS	7.610
‡Swedish Export Credit Corp.	50	1991	—	7⅞	100	SBC	7.750
Hiram Walker Hldgs. NV	50	1987	—	7⅞	100	SBC	8.056
‡G.T.E. Finance NV	50	1986	5	7⅞	99½	SBC	8.054
‡G.Z.B.	50	1986	—	4⅝	100	SBC	4.625
‡Banco Nacional de Desarollo	70	1986	—	7⅞	100	UBS	7.625
‡Tordom Corp	25	1991	—	7⅞	100	Credit Suisse	7.125
City of Winnipeg	40	1986	—	4⅜	100	Credit Suisse	4.375
‡Bank of Nova Scotia	25	2011	30	15	96½	S. G. Warburg	15.51
SWISS FRANCS							
‡Copenhagen County Authority	50	1991	15	6	100	S. G. Warburg	6.060
‡§Lonrho Intnl. Fin. NV	60	1986	5	11¼	*	Bergen Bank	
‡EIB	80	1989	8	13	100	Kredietbank	13.000
Asian Development Bank	80	1989	8	9½°	100	Mitsui Fin. Europe, Kredietbank, Societe Generale	9.726°
‡**Kubota	20	1989	8	7¼°	100	CSFB	7.643°
‡**Kubota	40	1989	8	6°	100	Merrill Lynch	6.060°
‡**§Mitsubishi Chemical Industries	70	1986	5	15¾	99½	Morgan Stanley	15.902
‡**VEW	50	1986	5		*	S. G. Warburg	16.00
Nippon Tel. & Tel.	100	1986	5	15⅜	100	Orion	15.625
‡**§Olympus Opitcal	80	1992	11	5½°	100	S. G. Warburg	5.319°
STERLING							
‡Hydro Quebec	40	1987	6	9½°	100	CSFB	9.726°
‡Nissan Motor Co.	50	1986	5	15⅜	100	Morgan Stanley	15.500
NORWEGIAN KRONER							
Eksportfinans	100	1988	7	15⅜	*	Morgan Stanley	15.651
ECU							
EIB	40	1986	5	15⅜	99½	Woody Gundy	*

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. ° Minimum. § Convertible. Note: Yields are calculated on AIBD basis.

CREDITS

BY PETER MONTAGNON

Resignation in Venezuela

VENEZUELA'S slow progress in restoring order to its foreign debt was thrown into sharp relief last week with the resignation of Sr Carlos Zubillaga as the country's Director of Public Credit.

Sr Zubillaga had spent less than a year in the post, which put him in the forefront of negotiations both with international banks and the myriad of public sector agencies which have amassed a total of some $10bn in short-term foreign debt.

Banks had been hoping that he would soon find a way of refinancing about $4.3bn of this debt over the medium term, putting an end to the haphazard flow of short-term borrowings by state entities.

It is understood, however, that he was frustrated in his attempts to do so, principally because of lack of active co-operation from his political colleagues at home.

Venezuela continues to pay lip service to the desirability of restoring order to the situation. The new Public Credit Law, which will allow a resumption of medium-term borrowings by state entities, is still expected to be passed by Congress soon, to be followed shortly afterwards by a large medium-term credit for about $1bn.

But actions speak louder than words and bankers remain concerned over the flow of short-term borrowings — the urban development agency, Fondur, is understood to be seek a new $150m short-term loan—and the problem of late payments. Service payments and a $40m credit guaranteed by the tourism agency Corpoturismo, are now said to be about five months late.

This type of development is all the more disquieting because Venezuela last year was the most active borrower in the Eurocredit market, raising as much as $6.7bn.

Moreover, with its oil wealth Venezuela should rank as one of the top credit risks in Latin America.

By contrast, Brazil, which is another very large borrower but does not enjoy huge domestic energy resources, is proceeding comfortably with its borrowing programme. Terms have now been confirmed on its next loan, a $200m eight-year credit for Siderbras led by Manufacturers Hanover, which, as expected, carries a margin of 2¼ per cent over London interbank offered rate or 2 per cent over U.S. prime.

Another large loan to be announced last week was a $450m borrowing for Aughinish Finance of Ireland to help finance its alumina plant in Co. Limerick. Citicorp, which is leading the operation, declined to disclose details of the terms but the borrower is jointly owned by Alcan, Shell and Atlantic Richfield and does not represent Irish sovereign risk.

In the pipeline also are large loans for Mexico, expected to be for between $500m and $600m, and Korea Exchange Bank, which is expected to obtain $500m on rather finer terms than those for the Korea Eximbank, which recently paid ⅝ per cent over Libor for eight-year Euromarket funds.

Loans already in the market are meeting with a mixed response. Greece's $400m 10-year credit has been turned into a club operation after the ⅞ per cent margin for the first five years failed to attract interest in general syndication, whereas Sweden's $500m seven-year prime-based loan has been a runaway success and is expected to be increased by the lead manager, Chase Manhattan.

In other news, Poland was still a long way from agreement on this year's debt rescheduling with commercial banks after a meeting of banks in Frankfurt last week and Belgium has confirmed plans to launch a domestic bond issue of at least BFr 60bn before it next re-enters the Eurocredit market.

The loan will carry special tax incentives in an attempt to mop up some of the funds which have been leaving the country recently, causing a serious headache for the Belgian authorities.

Bank creditors of the Latin American finance company, Adela, have meanwhile agreed to reschedule about $186m in debt until 1986 under a complex arrangement expected to be signed on Friday.

U.S. BONDS

BY DAVID LASCELLES

Credit outlook remains highly complex

A BRIEF rally at the end of last week should set a more cheerful tone for the U.S. credit markets when they reopen today after the long holiday weekend. But traders doubt that the ingredients are there for a sustained improvement yet.

The rally was triggered by better news on the inflation front (up only 0.4 per cent in April, the lowest gain since last summer) and a healthy drop in the money supply. M1-B, the most widely watched measure, fell by $2.2bn and M1-A by $1.9bn. This brought short rates down 2 to 3 percentage points from the torrid levels they had reached in mid-week, and bond prices improved a couple of points.

However, the credit outlook remains extraordinarily complex, largely because technical factors have interfered with the market's reading of the money supply and the Federal Reserve Board's response to it.

Last week for instance Fed funds traded well above 20 per cent for two days in a row, suggesting that the Fed had decided at the meeting of its policy-making Open Market Committee on Monday to tighten up. But in retrospect, it seems as if the market's tightness was the result of a high level of seasonal or anticipatory borrowing; if so, it ominously suggests that the Fed's tightening has still to make itself felt.

There seems little doubt that the Fed will have to act. As the market learnt only last week, the Fed has set a 5½ per cent "or slightly less" growth target for M1-B in the second quarter, yet this measure has recently been growing at more than twice that pace. Analysts also believe that the money supply will continue to expand at a rapid rate in the weeks ahead because of the strength of the economy.

The push and tug in the market can be confusing too. Despite the drop in rates on Friday, the banks increased their prime rate another ½ percentage point to 20½ per cent, only 1 point short of the record set only last December. That evening, the Treasury also announced that rates on its latest auction of three-month bills had set a record 16.75 per cent. Rates on six-month bills were the second highest ever at 15.68 per cent.

Both developments were essentially delayed responses to the sharp run up in rates earlier in the week. In the light of what happened on Friday, there could now be a pause in the prime's ascent, but it would be premature to expect a decline.

Not surprisingly, borrowers continued to stay clear of the market. The five major issues last week were all medium grade utilities which were obliged to pay between 16 per cent and 17 per cent for 10-year money. Although these issues sold at that level, much of the market's demand still seems to be coming from traders rather than final investors, like institutions or individuals.

This week's calendar contains a number of tentative bank issues. Citicorp will float $150m of 10-year notes. Wells Fargo and Mellon Bank are also down for some note offerings. But the most interesting issue — if it comes off — could well be Barclays Bank's planned issue of $125m in 25-year capital notes. This will mark the first major foray of its kind on the U.S. markets by a British bank.

U.S. INTEREST RATES (%)	Week to May 22	Week to May 15
Fed Fnds wkly. avge.	19.54	18.39
3-month Treas. bills	16.95	16.42
3-month CD	18.25	18.85
20-year Treas. bond	13.48	13.64
AAA Utility	15.50	15.63
AA Industrial	14.75	15.00
Visible supply of corporate bonds ($bn)	5.75	6.21

Source: Salomon Bros. and First Boston

FT INTERNATIONAL BOND SERVICE

EUROBOND TURNOVER (nominal value in $m)

	Cedel	Euro-clear
U.S. $ bonds		
Last week	821.1	2,826.0
Previous week	1,105.0	3,369.9
Other bonds		
Last week	285.1	330.8
Previous week	541.7	579.0

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Arab Company for Trading Securities SAK; Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Credit Commercial de France (Securities) London; Citicorp International Bank; Daiwa Europe NV; Deltec Trading Company; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Manufacturers Hanover; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Orion Bank; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on May 22

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Am. Air. 15¼ 86 (WW)	55	99⅛	99⅞	0	+0⅛	15.36
Amoco 13¾ 88	75	92⅞	93⅜	0	+0⅞	14.90
CIBC 14½ 84	185	97	97½	+0⅛	+0⅛	15.71
CNE 12⅞ 91	100	86⅝	87⅛	−0⅛	+0⅞	15.40
Citicorp O/S Fin. 10 86	300	82⅜	82⅞	0	+0⅛	15.14
Citicorp O/S Fin. 12 87	200	87⅞	88⅛	+0⅛	+1⅛	15.03
Con. Illinois O/S 9¾ 86	150	81	81½	−0⅛	+0⅞	15.28
Dupont Canada 13½ 91	65	92⅜	92⅞	+0⅛	+0⅛	14.85
EEC 11 85 (August)	70	77⅜	77⅞	+0⅛	+2⅛	14.84
EIB 12¾ 89	75	88	88½	+0⅛	+0⅛	15.40
Eldorado 13¾ 88	50	92⅜	92⅞	+0⅛	0	15.49
Elec. de France 10 88	125	77⅞	78⅛	−0⅛	+0⅞	15.30
Elec. de France 13 88	125	90⅛	90⅝	−0⅛	0	15.36
Export Dv. Cpn. 9½ 86	150	80⅜	80⅞	+0⅛	+0⅞	15.62
Fed. Bs. D. 12½ 85 (N)	50	90⅜	90⅞	+0⅛	+0⅞	15.22
Fin. Exp. Credit 10½ 85	50	83⅞	84⅛	0	−0⅛	16.14
Finland, Rep. of 9½ 86	100	79⅛	79⅝	0	+0⅛	15.87
Ford Credit O/S 14⅞ 83	150	96⅞	97⅜	0	+0⅛	15.96
Ford Cr. O/S Fin. 16 84	160	100⅞	101⅜	+0⅛	+0⅞	15.36
Gaz de France 13½ 86	80	94	94½	−0⅛	−0⅛	15.25
GMAC O/S Fin. 12 87	100	86⅜	86⅞	−0⅛	+1	15.39
GMAC O/S Fin. 12⅞ 88	100	89⅜	89⅞	−0⅛	+0⅛	15.42
Gen. Mtrs. O/S 11¾ 87	100	86	86½	+0⅛	+0⅛	15.21
Genstar 14¾ 91	50	97½	98	0	−0½	15.18
GTE Fin. 13¾ 86 (WW)	50	94⅜	95⅛	−0⅛	+0⅛	15.34
Hudson's Bay 11½ 90	75	81⅜	81⅞	+0⅛	+0⅞	15.38
IBM Wld. Trade 12½ 88	200	94⅝	95⅛	+0⅛	+1⅛	13.88
Newfoundland 13½ 90	60	90⅛	90⅝	+0½	+1	15.52
Nova Scotia 10¾ 90	50	79⅛	79⅝	+0⅛	+0⅛	15.02
OKB 10 85	50	83⅞	84⅛	−0½	−0⅛	15.48
Ontario Hydro 13½ 91	100	92⅛	92⅝	+0⅛	+0⅞	15.00
Quebec Hydro 11½ 92	100	78⅜	79⅛	+0⅛	+0⅞	15.59
Queb. Hy. 13 91 (WW)	100	87⅞	88⅛	+0⅛	+0⅛	15.40
Royal Bk. Canada 14 88	100	95⅝	96⅛	0	−0⅞	15.19
SNCF 12⅞ 85	50	91⅝	92⅛	0	−0⅛	15.24
SNCF 13 91	75	89½	90	−0⅛	0	15.04
Sth. California Ed. 14 87	50	95½	96	+0⅛	+0⅛	15.11
Sven Handelsbk. 13¾ 88	45	92⅛	92⅝	+0⅛	−0⅛	15.61
Sweden 12⅞ 85	150	90⅛	90⅝	+0⅛	+0⅛	15.53
Swed. Ex. Credit 12 83	50	92	92½	+0⅛	+0⅛	16.09
Swed. Ex. Credit 13 86	75	90	90½	0	+0⅞	16.06
Toronto-Dom. Bk. 14 84	50	95⅞	96⅛	0	−0⅞	15.61
Tribune O/S Fin. 14 86	50	94½	95	0	0	15.58
World Bank 9¾ 85	200	83⅞	84⅛	+0⅛	+0⅛	15.26
World Bank 10¼ 87	300	80⅞	81⅜	−0⅛	−0⅛	15.22

Average price changes... On day +0⅛ on week +0½

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 10 91	100	97⅛	97⅝	0	0	10.41
Austria, Rep. of 8¾ 92	150	86⅞	87½	0	−0⅛	10.20
CECA 7⅞ 92	150	86⅞	87⅜	−0⅛	−0½	9.88
CECA 10 91	120	98⅞	98½	−0⅛	−0⅞	10.13
CII-Honeywell 8⅞ 90	126	89⅝	90⅛	−0⅛	−0⅛	10.13
Council of Europe 10 91	100	97	97⅜	−1⅛	−1⅛	10.43
EIB 8½ 90	200	88⅜	88⅞	−0⅛	−0⅛	10.46
EIB 10½ 91	200	99½	100⅛	−0⅞	−1⅛	10.51
ESCOM 9¾ 87	100	90½	91⅛	+0⅞	−1⅝	11.26
Finland, Rep. of 10 88	100	96⅞	97⅜	0	−0⅛	10.52
Iberduero SA 9 90	100	90⅜	91⅛	−0⅛	−1⅛	10.61
Ind. Bk. Finland 8½ 90	50	88½	89⅛	−0⅛	−1	10.39
Int.-Am. Dv. Bk. 10 91	100	98½	99⅛	−0⅞	−0⅞	10.17
Japan Air Lines 8⅞ 87	100	89⅜	90⅛	−0⅞	−1⅛	10.35
Japan Dev. Bank 7⅞ 87	100	86⅞	87⅝	−0⅞	−1⅛	10.48
Kobe, City of 8 90	100	86⅞	87⅜	−0⅛	−1⅛	10.21
Midland Int. Fin. 8½ 90	180	89	89⅜	−0½	−1⅞	10.30
Nuclebras 9¾ 88	100	88⅝	89⅛	−0⅛	−0⅞	12.13
OKB 8⅞ 92	150	85½	86½	0	−0⅛	10.43
Oslo, City of 8¾ 90	80	92⅜	93½	−0⅛	−7⅛	9.95
Venezuela, R. of 9¾ 90	150	93⅞	94	+0⅞	−0⅛	10.84
World Bank 8 90	700	85⅜	85⅞	−0⅛	−0⅞	10.53
World Bank 10 86	150	100⅞	101	0	+0⅛	9.83

Average price changes... On day −0⅛ on week −0⅞

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aeroport Paris 6½ 91	80	94⅞	94⅝	−0½	−0½	7.30
BFCE 6½ 91	100	95½	95⅞	−0⅛	−1⅝	7.13
Bayer Int. Fin. 5¾ 92	100	87⅞	88⅜	−1⅛	−1⅛	6.80
Bergen, City of 6¾ 91	40	98½	98⅞	+0⅛	+0⅞	6.94
Bhrmn.-Tetterode 7 90	40	98½	99	+0⅛	−0⅛	7.19
CECA 6¾ 91	80	95	95⅛	+0⅛	−0⅛	7.46
Denmark 5¾ 90	80	†88	89⅛	+1⅞	+2⅞	7.60
Dome Petroleum 5¾ 91	100	92⅜	92⅞	−0⅛	−0⅛	6.79
Elet. de France 5¾ 90	100	89	89½	0	−0⅛	6.84
Eurofima 5¾ 92	80	†98	99	0	+0⅛	5.93
F. G. H. Hypo. Bk. 6 90	50	90⅛	90⅝	+0⅛	−0⅞	7.52
Finland, Rep. of 5¾ 90	80	85⅜	86	+0⅛	−0⅛	7.82
Franc. Petroles 6½ 91	80	95½	96	−0⅞	−1⅛	7.11
Genstar 7 91	100	99⅞	100⅛	0	+0⅛	7.00
Int.-Amer. Dv. Bk. 7 91	100	97⅜	97⅞	+0⅛	−1	7.32
Japan Dev. Bank 5¾ 90	100	92	92⅛	+0⅛	+1⅛	6.91
Mt. Blanc Tunnel 5½ 90	80	86½	87	0	+0½	7.53
Newag 5¾ 90	80	90	90⅛	−0⅞	−1⅛	7.26
OKB 7 93	100	98⅜	98⅝	0	−0⅛	7.19
Oslo, City of 5⅞ 90	80	88⅞	89⅛	+0⅛	−2⅛	7.54
Philips Lamps 5¾ 92	100	87½	87⅞	−0⅛	−0⅛	6.87
Swed. Ex. Cred. 7⅛ 91	75	97⅜	97⅞	0	−0⅛	7.60
Trade Dev. Fin. 6⅞ 90	50	91	91½	−0½	+0½	7.45
Voest-Alpine 5¾ 90	80	87	87⅜	−0⅛	+0⅛	7.73
World Bank 6 91	100	91⅛	91⅞	−0⅛	0	7.28
World Bank 7 90	100	100⅛	100⅝	+0⅛	0	6.98

Average price changes... On day 0 on week −0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8⅛ 91	15	98	99	+0⅛	−0⅛	8.48
Australia 6½ 88	20	87⅛	88⅜	0	+0⅛	8.94
EIB 7⅜ 89	12	92⅞	93½	−0⅛	−0⅞	9.00
Finland 5.6 83	10	92⅛	93⅛	0	0	8.92
Finland 6.8 88	10	87	88	0	−0½	9.32
Finland, Rep. of 8⅞ 87	15	98⅛	99½	+0⅛	−0½	8.68

Average price changes... On day 0 on week −0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 10¾ 86 C$	60	†85⅛	86⅛	0	−0⅛	14.73
CIBC 13¾ 85 C$	50	†93⅞	94⅞	0	+0⅛	15.72
CIBC 11½ 85 C$	60	87⅛	88⅛	0	+0⅞	15.70
Federal Dev. 11½ 90 C$	60	†80½	81½	0	−0½	15.50
Fst. Can. Inv. 10 84 C$	50	†85	86	+1	+0½	16.54
R. Bk. Canada 10 86 C$	40	88⅞	89½	0	−0⅛	13.11
Tordom Cpn. 13½ 85 C$	30	†94½	95⅛	+0½	+1	15.35
M. Bk. Dnmk. 9 91 EUA	25	89½	90⅜	−0⅛	−0⅞	10.58
SOFTE 8¾ 89 EUA	40	88½	89½	−0½	0	10.35
U. Bk. Nwy. 9½ 90 EUA	18	96⅞	98	−0⅞	0	9.95
Algemene Bk. 10⅛ 86 Fl	80	95½	96	−0⅛	−0⅛	11.43
Bk. Mess & H. 10 85 Fl	75	95⅞	95⅞	−1⅛	−0⅞	11.36
Heineken NV 10 87 Fl	100	93⅞	94⅛	−0⅞	−0⅛	11.39
Nat. Nedrlnd. 10 88 Fl	60	92⅞	93½	−0⅛	−0⅞	11.50
Ned. Midd. Bk. 10 85 Fl	75	95⅞	96⅛	−0⅛	−0⅛	11.34
Pierson 10⅛ 88 Fl	50	95⅛	96⅛	−0⅛	−0⅛	11.35
Air France 14½ 86 FFr	200	92⅝	93⅝	−1⅞	−2⅞	16.63
Bk. America 14½ 86 FFr	250	92⅜	93⅜	+0⅛	−2⅝	16.59
Charb'nages 13⅞ 85 FFr	400	91	92	−0½	−2⅛	16.59
EIB 14⅛ 88 FFr	300	91	92	−0⅛	−3⅛	16.25
La Redoute 14⅝ 85 FFr	125	90⅞	91⅛	−0⅞	−2⅛	17.37
OKB 14 86 FFr	400	91½	92½	+0½	−3⅛	16.63
Solvay et C. 14⅞ 86 FFr	200	98⅝	99⅝	−0⅛	−2⅛	14.97
Swed. Ex. C. 14⅝ 86 FFr	250	91½	92½	−1½	−2⅝	17.14
U. Mex. Sts. 14 85 FFr	150	92	93	−0½	−1⅛	16.70
Acona 14 85 £	20	94⅞	95⅛	0	+0⅛	15.66
Beneficial 14⅞ 90 £	20	90	90⅞	0	−0⅛	16.24
BNP 13½ 91 £	15	92⅞	93⅞	−0⅛	−0½	14.87
CECA 13½ 88 £	20	94	94⅞	+0⅛	+0⅛	14.74
Citicorp O/S 13½ 90 £	50	93⅝	94⅛	−0⅛	+0⅛	14.73
Fin. Ex. Cred. 13⅞ 86 £	15	95⅞	96	0	−0⅛	15.06
Gen. Elec. Co. 12½ 89 £	50	90⅝	91⅛	−0⅞	−0½	14.47
Hiram Walker 14⅞ 86 £	25	95⅞	96½	−0⅛	0	15.41
Privatbanken 14½ 88 £	12	94½	95⅛	−0⅛	−0⅛	15.75
Rothschild 14⅝ 90 £	12	96⅜	96½	−0⅛	−0⅞	15.02
Royal Trustco 14 86 £	12	96½	97⅛	−0⅛	−0⅞	14.91
Swed. Ex. Cr. 13⅞ 86 £	20	96	96⅞	−0⅛	+0⅛	14.81
Banobras 8⅞ 90 KD	7	†90	90½	0	0	9.95
CCCE 8⅞ 91 KD	10	†82⅛	83⅛	0	0	11.04
Sonatrach 8½ 90 KD	12	†93	93½	0	0	9.66
Akzo 9⅞ 87 LuxFr	500	86⅞	86⅞	0	+0⅛	12.42
Euratom 9¾ 88 LuxFr	500	88	89	−0⅛	−1⅛	12.36
Eurofima 10½ 87 LuxFr	500	92⅛	93⅛	−0⅞	−0⅞	12.19
EIB 9⅞ 88 LuxFr	600	90⅛	91⅛	0	−0⅛	11.83
Volvo 9⅞ 87 LuxFr	500	86⅝	87⅝	+0⅛	+0⅛	12.71

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish Bank 5¼ 87	0¼	†99½	99⅞	2/7	16⅝	16.73
Bank of Montreal 5¼ 90	0¼	99⅞	99⅞	18/6	19½	19.57
Bank of Tokyo 5¼ 89	‡0¼	98⅞	98⅝	25/7	16½	16.77
BBL Int. 6 86	0¼	99⅜	99⅞	20/5	16½	16.56
BNP 5½ 88	‡0¼	99	99½	29/7	16.44	16.58
CNT 5¼ 86	§0¼	99⅝	99⅞	16/10	16.81	16.90
Christiania Bk. 5½ 91	‡0¼	98⅞	98⅞	5/8	17.31	17.55
Citicorp O/S F. 84	‡0	99	99½	30/5	16⅞	17.00
C. Itoh 5¼ 87	0¼	98½	99	18/9	15.44	15.63
Co-operative Bk. 6 86	0¼	98⅝	99⅛	15/11	19.58	19.69
Den Norske Credit 6 90	‡0¼	†98½	99	5/8	17.31	17.53
Genfinance 5¼ 87	0¼	98⅝	99⅛	30/10	16.94	17.11
Giro und Bank 5⅞ 91	‡0¼	98	98½	23/6	14.06	14.31
GZB 5½ 89	‡0¼	98⅝	98⅞	1/8	17.31	17.55
Ind. Bank Japan 5¼ 87	0¼	99	99½	15/10	17.06	17.19
Ind. Bank Japan 5¼ 88	0¼	98⅝	98⅞	9/10	16.44	16.67
Lloyds Eurofin 8 90 £	0¼	96⅞	97⅛	3/7	14½	14.97
Lloyds Eurofin 5¼ 92	0¼	98⅞	99⅛	4/6	17¼	17.42
LTCB Japan 5¼ 86	0¼	99⅞	100⅛	13/6	20.19	20.18
Man. Hanov. O/S 5¼ 94	‡0¼	99	99½	30/5	17	17.13
Merrill Lynch O/S 87	0¼	100⅛	100⅝	7/8	20.44	20.36
Midland Int. Fin. 5¼ 92	0¼	98⅞	99⅛	5/8	17.19	17.34
Midland Int. Fin. 9 91	0¼	97⅞	98⅜	30/10	16.81	17.16
Nacional Fin. 6¼ 86	0¼	98⅞	99⅛	25/7	17⅜	17.91
Nacional Fin. 5½ 88	0¼	96⅞	97	25/9	14⅞	15.37
Nat. Bk. Canada 5¼ 88	0¼	97⅛	97⅝	24/9	14½	14.87
Nat. West. 5¼ 94	§0¼	97½	98	14/10	16.19	16.58
Nat. West. 5¼ 92	§0¼	97⅞	98⅛	23/10	16.81	17.16
Pemex 6 91	0¼	96⅞	97⅛	8/10	15.31	15.79
Sparebanken 6 87	0¼	99	99½	19/6	19⅞	20.03
Standard Chart. 5¼ 90	0¼	98⅛	98⅝	3/9	17.06	17.32
Svenska Hndlsbk. 5 87	0¼	99½	99⅞	15/7	17.81	17.88

Average price changes... On day 0 on week +0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Bow Valley Inv. 8 95	4/81	23.12	97	98½	0	20.60
Canon 6⅞ 95	1/81	829	†164⅞	166⅛	−1⅛	−1.55
Credit Suisse 4⅞ 93	10/79	1236	84⅞	86⅞	−4⅞	−1.69
Digicon Fin. 8½ 95	10/81	29.5	112½	114	−0⅞	−1.39
Hanson O/S Fin. 9½ 96	8/81	2.74	91⅞	92⅞	−0⅛	6.69
Ina Overseas 8¾ 2000	4/81	42	105⅞	106⅞	+1½	−0.57
Inchcape 8 95	2/81	4.55	83⅛	85	−1½	−1.41
Kotobukiya Co. 7 96	4/81	619	†95½	96½	+0½	−4.11
Marion Int. Fin. 9 95	12/80	15.5	85⅛	86⅞	−0⅛	16.25
Matsushita El. 7½ 95	11/80	590	102½	103½	+0⅛	2.88
MEPC 8¾ 96	2/81	2.47	89½	91	0	12.77
Nissho-Iwai Co. 8 96	10/80	398	†73	75	−1	−1.27
Ricoh 6⅞ 95	8/80	604	124⅞	125⅞	−0⅛	1.47
Sumitomo M. Ind. 7 95	2/81	181	142	143	0	−0.06
Swiss Bk. Cpn. 6⅞ 90	9/80	200	78	79	0	26.19
Taylor Woodrow 8⅞ 90	1/81	4.94	104	105½	−1⅛	0.56
Tokyu-Land Cpn. 7⅞ 96	4/81	325	99	100	−0½	5.61
Transco Int. 8⅞ 95	2/81	68	84	85⅛	+0⅛	23.75
Tricorp 8½ 95	12/80	31.25	†81½	83	−0⅛	22.40
Union Bk. Switz. 5 89	2/80	70.78	73	75	0	3.52
Fujitsu 5 84 DM	7/79	431.5	182	183	+3⅛	−0.58
Sharp Cpn. 6½ 88 DM	9/80	555	179⅞	180⅛	+5⅛	0.65
Uny Co. 6½ 85 DM	11/79	879.3	106⅞	107⅛	+0⅛	0.70

CURRENCIES, MONEY and GOLD

WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on May 22, 1981. In some cases rates are nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling/dollar rates; (S) member of the sterling area other than Scheduled Territories; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rates; (exC) exchang certificate rate; (k) Scheduled Territory; (nc) non-commercial rate; (nom) nominal; (o) official rate; (sg) selling rate.

PLACE AND LOCAL UNIT		VALUE OF £ STERLING
Afghanistan	Afghani	112.60
Albania	Lek	9.98
Algeria	Dinar	8.6590
Andorra	French Franc	11.565
	Spanish Peseta	191.65
Angola	Kwanza	(CM) 66.23 / (T) 68.55
Antigua (S)	E. Caribbean $	5.57
Argentina	Ar. Peso Free Rate	6,690.0
Australia (S)	Australian $	1.8165
Austria	Schilling	33.945
Azores	Portugu'se Escudo	127.20
Bahamas (S)	Ba. Dollar	2.0730
Bahrain (S)	Dinar	0.782
Balearic Isles	Spa. Peseta	191.65
Bangladesh (S)	Taka	37.30
Barbados (S)	Babados $††	4.1460
Belgium	B. Franc	(cm) 78.30 / (fn) 80.15
Belize	B $	4.1460
Benin	C.F.A. Franc	578.25
Bermuda (S)	Bda $	2.0730
Bhutan	Indian Rupee	17.35
Bolivia	Bolivian Peso	51.05
Botswana (S)	Pula	1.7125
Brazil	Cruzeiro ‡‡	174.00
Brit. Virgin Isles (S)	U.S. $	2.0730
Brunei (S)	Brunei $	4.4650
Bulgaria	Lev	1.9433
Burma	Kyat	13.70
Burundi	Burundi Franc	188.315
CameroonRepublic	C.F.A. Franc	578.25
Canada	Canadian $	2.4885
Canary Islands	Spanish Peseta	191.65
Cape Verde Isle	Cape V. Escudo	75.70
Cayman Islands (S)	Cay. Is. $	1.7275
Cent. Af. Repub.	C.F.A. Franc	578.25
Chad	C.F.A. Franc	578.25
Chile	C. Peso	(Bk) 80.34
China	Renminbi Yuan	3.5858
Colombia	C. Peso	(F) 109.05
Comoro Islands	C.F.A. Franc	578.25
Congo (Brazaville)	C.F.A. Franc	578.25
Costa Rica	Colon	35.60
Cuba	Cuban Peso	1.5085
Cyprus (S)	Cyprus £	0.9740
Czechoslovakia	Koruna	(com) 12.65 / n/c 22.03 / (T) 21.35
Denmark	Danish Krone	15.045
Djibouti	Fr.	360 (sg)
Dominica (S)	E. Caribbean $	5.57
Dominican Repub.	Dominican Peso	2.0730
Ecuador	Sucre	(O) 51.44 / (F) 63.80
Egypt	Egyptian £	(U) 1.45
Equatorial Guinea	Ekuele	383.3
Ethiopia	Ethiopian Birr	(P) 4.2550
Falkland Islands (S)	Falkland Is. £	1.0
Faroe Islands	Danish Krone	15.045
Fiji Islands	Fiji $	1.7640
Finland	Markka	8.97625
France	French Franc	11.565
FrenchC'tyin Af*	C.F.A. Franc	578.25
French Guiana	Local Franc	11.565
French Pacific Is.	C.F.P. Franc	200 (sg)
Gabon	C.F.A. Franc	578.25
Gambia (S)	Dalasi	4.0
Germany (East)	Ostmark	4.805
Germany (West)	Deutsche Mark	4.805
Ghana (S)	Cedi	5.70
Gibraltar (K)	Gibraltar £	1.0
Greece	Drachma	116.3165
Greenland	Danish Kroner	15.045
Grenada (S)	E. Caribbean $	5.57
Guadaloupe	Local Franc	11.565
Guam	U.S. $	2.0730
Guatemala	Quetzal	2.0730
Guinea Republic	Syli	45.27
Guinea Bissau	Peso	77.15
Guyana (S)	Guyanese $	5.2860
Haiti	Gourd	10.365
Honduras Repub.	Lempira	4.14
Hong Kong (S)	H.K. $	11.35
Hungary	Forint	(com) 75.8195 / (T)(nc) 65.5814
Iceland (S)	I. Krona	14.259(§)
India (S)	Ind. Rupee	17.35
Indonesia	Rupiah	1,297.60
Iran	Rial	163.40(sg)
Iraq	Iraq Dinar	0.6115
Irish Republic (k)	Irish £	1.31075
Israel	Shekel	22.00
Italy	Lira	2,386.0
Ivory Coast	C.F.A. Franc	578.25
Jamaica (S)	Jamaica Dollar	3.6970
Japan	Yen	461.0
Jordan (S)	Jordan Dinar	0.683(sg)
Kampuchea	Riel	2,487.6
Kenya (S)	Kenya Shilling	17.835
Kiribati	Australian $	1.8165
Korea (Nth)	Won	2.06(II)
Korea (Sth)	Won	1,417.58
Kuwait	Kuwait Dinar	0.576
Laos	New Kip	20.73
Lebanon	Lebanese £	8.5820
Lesotho	Loti	1.7530
Liberia	Liberian $	2.0730
Libya	Libyan Dinar	0.6135
Liechtenstein	Swiss Franc	4.30
Luxembourg	Lux Franc	78.30
Macao	Pataca	11.72
Madeira	Portug'se Escudo	127.20
Malagasy Republic	MG Franc	578.25
Malawi (S)	Kwacha	1.8650
Malaysia (S)	Ringgit	4.8425
Maldive Islands (S)	Mal Rupee	8.10
Mali Republic	Mali Franc	1,156.5
Malta (S)	Maltese £	0.795
Martinique	Local Franc	11.565
Mauritania	Ouguiya I	114.10
Mauritius (S)	M. Rupee	17.55
Mexico	Mexican Peso	49.57
Miquelon	C.F.A. Franc	578.25
Monaco	French Franc	11.565
Mongolia	Tugrik	(o) 6.66(II)
Montserrat	E. Caribbean $	5.57
Morocco	Dirham	10.85
Mozambique	Metical	58.75
Nauru	Australian Dollar	1.8165
Nepal	Nepalese Rupee	24.75
Netherlands	Guilder	5.3350
NetherlandAntilles	Antillian Guilder	3.7105
New Zealand (S)	N. Z. Dollar	2.3595
Nicaragua	Cordoba	20.60
Niger Republic	C. F. A. Franc	578.25
Nigeria (S)	Naira	1.267479(sg)
Norway	Norway Krone	11.845
Oman Sul'ate of (S)	Rial Omani	0.717
Pakistan	Pakistan Rupee	20.40
Panama	Balboa	2.0730
Papua N.Guinea (S)	Kina	1.4030
Paraguay	Guarani	259.56
Peru	Sol	exc (A) 841.18
Philippines	Philippine Peso	15.85
Pitcairn Islands (S)	£ Sterling	—
	New Zealand $	2.3595
Poland	Zloty	(Cm) 70.48 / (T) 70.48
Portugal	Portugu'se Escudo	127.20
Puerto Rico	U.S. $	2.0730
Qatar (S)	Qatar Ryal	7.55
Reunion Ile de la	French Franc	11.565
Romania	Leu	(Cm) 9.71 / (n/c) 23.90
Rwanda	Rwanda Franc	196.88
St. Christopher (S)	E. Caribbean $	5.57
St. Helena	St. Helena £	1.0
S. Lucia	E. Caribbean $	5.57
St. Pierre	Local Franc	11.565
S. Vincent (S)	E. Caribbean $	5.57
Salvador El	Colon	5.15
Samoa American	U.S. $	2.0730
San Marino	Italian Lira	2,386.0
Sao T'oe&Principe	Dobra	79.35
Saudi Arabia	Ryal	7.01
Senegal	C.F.A. Franc	578.25
Seychelles	S. Rupee	12.66(sg)
Sierra Leona (S)	Leone	2.4250
Singapore (S)	Singapore $	4.4650
Solomon Islands (S)	Solomon Is. $	1.6255
Somali Republic	Somali Shilling	(A) 13.00
South Africa (S)	Rand	1.7530
South West African Territories (S)	S. A. Rand	1.7530
Spain	Peseta	191.65
Spanish ports in North Africa	Peseta	191.65
Sri Lanka (S)	S. L. Rupee	38.10
Sudan Republic	Sudan £ (1)	1.04
Sudan Republic	Sudan £ (2)	1.66
Surinam	S. Guilder	3.7105
Swaziland (S)	Lilangeni	1.7530
Sweden	S. Krona	10.215
Switzerland	Swiss Franc	4.30
Syria	Syria £	(A) 8.10
Taiwan	New Taiwan $	74.62
Tanzania (S)	Tan. Shilling	17.10
Thailand	Baht	43.10
Togo Republic	C.F.A. Franc	578.25
Tonga Islands (S)	Ha'anga	1.8165
Trinidad (S)	Trinidad & Tob. $	4.9752
Tunisia	Tunisian Dinar	1.0530(sg)
Turkey	Turkish Lira	211.40
Turks & Caicos	U.S. $	2.0730
Tuvalu	Australian $	1.8165
Uganda (S)	Uganda Shilling	17.80
United States	U.S. Dollar	2.0730
Uruguay	Uruguay Peso	(com) 21.86 / (fn) 21.88
Utd. Arab Emirates	U.A.E. Dirham	7.62
U.S.S.R.	Rouble	1.5223
Upper Volta	C.F.A Franc	578.25
Vanuatu	Vatu	180(sg)
	Aust. Dollar	1.8165
Vatican	Italian Lire	2,386.0
Venezuela	Bolivar	8.84
Vietnam	Dong	(O) 4.4975 / (T) 5.04(11)
Virgin Islands U.S.	U.S. Dollar	2.0730
Western Samoa	S. Samoan Tala	2.1225
Yemen (Nth)	Ryal	9.38(sg)
Yemen (Sth)	S. Yemen Dinar	(A) 0.7045
Yugoslavia	New Y Dinar	72.8362
Zaire Republic	Zaire	6.759211
Zambia	Kwacha	1.81
Zimbabwe	Zimbabwe $	1.3995

*That part of the French community in Africa formerly French West Africa or French Equatorial Africa. † Rupees per pound. ‡ General rates of oil and iron exports 8.05. **Rate is the transfer market (controlled). ††Rate is now based on 2 Barbados $ to the dollar. ‡‡Now one official rate. (U) Unified rate. Applicable on all transactions except countries having a bilateral agreement with Egypt and who are not members of IMF. (§) Based on gross rates against Russian rouble. (1) Official rates for government transactions and specified exports and imports. (2) Parallel rate for non-government transactions and non-specified exports and imports. § One new Krona = 100 old Kronur.

THE POUND SPOT AND FORWARD

May 22	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.0550-2.0825	2.0725-2.0735	1.40-1.50c dis	-8.39	3.70-3.80dis	-7.24
Canada	2.4700-2.4885	2.4880-2.4890	1.60-1.70c dis	-7.30	4.25-4.45dis	-6.99
Nethlnd.	5.21-5.35	5.33-5.34	¾c pm-¼ dis	-0.56	¾ pm-¼ dis	0.37
Belgium	77.80-78.40	78.25-78.35	30-40c dis	-5.36	116-125 dis	-6.13
Denmark	14.97-15.09	15.03¾-15.05¾	3-4¼ore dis	-2.89	11¼-13 dis	-3.21
Ireland	1.3080-1.3180	1.3100-1.3115	0.32-0.52p dis	-3.85	1.16-1.47dis	-4.04
W. Ger.	4.77-4.82	4.80-4.81	¼-¼pf dis	-0.94	¼-¾ dis	-0.42
Portugal	126.00-127.50	127.05-127.35	85-165c dis	-11.32	185-390 dis	-8.57
Spain	189.50-192.00	191.50-191.80	125-150c dis	-8.61	415-460 dis	-9.13
Italy	2,372-2,390	2,385-2,387	23-26 lire dis	-12.07	64-68 dis	-11.06
Norway	11.75-11.90	11.83¾-11.85¾	par-1¼ore dis	-0.62	1¼-3¼ dis	-0.82
France	11.45-11.60	11.55¾-11.57¾	16-17c dis	-17.12	32-35 dis	-11.59
Sweden	10.14-10.23	10.20¾-10.22¾	1¾-2¾ore dis	-2.64	8¾-9¾ dis	-3.43
Japan	458-465	460¼-461¼	2.75-2.40y pm	6.70	5.90-5.50 pm	4.99
Austria	33.75-34.10	33.92-33.97	6gro pm-par	1.06	6 pm-4 dis	0.12
Switz.	4.26-4.31	4.28¾-4.30¾	2½-1¾c pm	2.09	2¼-1¾ pm	1.63

Belgian rate is for convertible francs. Financial franc 80.10-80.20. Six-month forward dollar 6.70-6.80c dis. 12-month 8.50-8.70c dis.

GOLD

	May 22		May 21	
Gold Bullion (fine ounce)				
Close	$472-475	(£227¾-229¼)	$475-476	(£228¾-229¼)
Opening	$471-474	(£226¾-228)	$480-483	(£231¼-232¾)
Morning fixing	$472.75	(£228.106)	$480	(£232.395)
Afternoon fixing	$472.75	(£227.941)	$478	(£229.571)
Gold Coins				
Krugerrand	$487-488	(£234¾-235¼)	$489-490	(£236-236½)
1/2 Krugerrand	$251¼-252¼	(£121¼-121¾)	$251¾-252¾	(£121½-122)
1/4 Krugerand	$128-129	(£61¾-62¼)	$128½-129½	(£62-62½)
1/10 Krugerrand	$53¼-53¾	(£25¾-26¼)	$53¾-53¾	(£25¾-26)
Mapleleaf	$482¾-483¾	(£233-233½)	$483¾-484¾	(£233¼-234)
New Sovereigns	$118¾-119¾	(£57¼-57¾)	$119-119¾	(£57¼-58)
King Sovereigns	$128-130	(£62-63)	$128-130	(£62-63)
Victoria Sovs	$128-130	(£62-63)	$128-130	(£62-63)
French 20s	$206-210	(£99¼-101¼)	$207-210	(£100-101¼)
50 pesos Mexico	$586-590	(£284-286)	$590-594	(£285-286½)
100 Cor. Austria	$456-461	(£220¼-222¼)	$464-466	(£224-225)
$20 Eagles	$580-587	(£281-283¾)	$585-590	(£282¼-284¼)

THE DOLLAR SPOT AND FORWARD

May 22	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.0550-2.0825	2.0725-2.0735	1.40-1.50c dis	-8.39	3.70-3.80dis	-7.24
Ireland†	1.5690-1.5850	1.5720-1.5770	0.49-0.69c dis	-4.50	1.15-1.45dis	-3.30
Canada	1.2005-1.2023	1.2009-1.2012	0.13-0.08c pm	1.05	0.14-0.09 pm	0.38
Nethlnd.	2.5600-2.5860	2.5700-2.5750	1.30-1.20c pm	5.83	4.45-4.35 pm	6.84
Belgium	37.56-37.86	37.77-37.79	15-11c pm	4.13	19-14 pm	1.75
Denmark	7.2500-7.3075	7.2775-7.2800	3¾-3¼ore pm	5.98	8-7¾ pm	4.26
W. Ger.	2.2990-2.3275	2.3185-2.3165	1.55-1.50pf pm	7.93	3.76-3.70 pm	6.44
Portugal	61.00-61.50	61.10-61.30	par-30c dis	-2.94	20pm-60dis	-1.31
Spain	91.80-92.40	92.00-92.25	5-30c dis	-1.83	25-45 dis	-1.52
Italy	1,144-1,152	1,150-1,152	3¼-3¾ lire dis	-4.17	11-13 dis	-4.17
Norway	5.7000-5.7215	5.7060-5.7080	3.90-3.40ore pm	7.67	9.50-9.00 pm	6.48
France	5.6100-5.6100	5.5750-5.5850	3.50-4.50c dis	-10.75	4.50-6.50dis	-4.66
Sweden	4.9140-4.9300	4.9240-4.9260	2.30-1.10ore pm	5.60	5.20-5.10 pm	4.22
Japan	221.50-223.50	222.35-222.45	2.65-2.50y pm	13.89	6.70-6.55 pm	11.81
Austria	16.32¾-16.44¾	16.41-16.43	17¾-12gro pm	8.32	31¾-27¾ pm	7.19
Switz.	2.0500-2.0800	2.0745-2.0755	1.95-1.85c pm	11.04	4.70-4.60 pm	8.98

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

OTHER CURRENCIES

May 22	£	$		Note Rates
Argentina Peso	5680-5700	3243-3253	Austria	33.60-33.95
Australia Dollar	1.8145-1.8185	0.8765-0.8770	Belgium	79.35-80.15
Brazil Cruzeiro	173.50-174.50	84.26-84.68	Denmark	14.95-15.10
Finland Markka	8.97-8.98¼	4.3370-4.3420	France	11.41-11.61
Greek Drachma	114.859-117.774	56.00-56.10	Germany	4.77-4.80
Hong Kong Dollar	11.33-11.34	5.4615-5.4665	Italy	2340-2390
Iran Rial	163.40*	78.20*	Japan	462-465
Kuwait Dinar (KD)	0.573-0.579	0.2778-0.2781	Netherlands	5.30-5.34
Luxembourg Frs	78.25-78.35	37.77-37.79	Norway	11.76-11.86
Malaysia Dollar	4.8350-4.8500	2.3345-2.3375	Portugal	124-130
New Zealand Dlr	2.3570-2.3580	1.1360-1.1390	Spain	184¼-195
Saudi Arab. Riyal	6.99-7.04	3.3780-3.3740	Sweden	10.15-10.25
Singapore Dollar	4.4560-4.4680	2.1510-2.1540	Switzerland	4.26-4.29
Sth African Rand	1.7535-1.7555	0.8460-0.8470	United States	2.05¼-2.07¼
U.A.E. Dirham	7.59-7.65	3.6720-3.6740	Yugoslavia	74-82

Rate given for Argentina is free rate. * Selling rate.

FT LONDON INTERBANK FIXING (11.00 a.m. MAY 22)

3 months U.S. dollars		6 months U.S. dollars	
bid 19 3/4	offer 19 7/8	bid 18 11/16	offer 18 15/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

May 22	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	11¼-11½	19⅜-19⅝	18½-19½	10⅞-11⅛	1-1½	10¾-11	23-28	—	15-17	5-6½
7 days' notice	11⅜-11⅝	19½-19¾	18½-19½	11½-11¾	20-22	11½-11¾	24-29	25-30	15-17	6⅛-6⅝
Month	11⅞-12	19⅜-19⅝	19-19⅜	12-12⅛	10¹⁄₁₆-10⁵⁄₁₆	12¹⁄₁₆-12³⁄₁₆	26-29	23-24	15⅞-16⅞	6¹³⁄₁₆-7¹⁄₁₆
Three months	12⅜-12½	19⅜-19⅝	19⅛-19½	12⅜-12½	10⁷⁄₁₆-10⁹⁄₁₆	13-13⅛	22-25	23-24	17¾-18¾	7¾-8
Six months	12⅝-12⅞	18¼-18½	18⅛-18½	12⅜-12½	10⅜-10½	12¹⁵⁄₁₆-13¹⁄₁₆	19½-22½	22-23	16¼-17¼	7¾-8
One Year	13-13¼	17¼-17½	17⅜-17¾	12⁷⁄₁₆-12⁹⁄₁₆	9⅝-9¾	12⅞-13	17-20	21½-23½	16-17	8⅛-8⅜

SDR linked deposits: one-month 16⁵⁄₁₆-16¹¹⁄₁₆ per cent; three-months 16⅛-16½ per cent; six-months 15⁷⁄₁₆-15¹³⁄₁₆ per cent; one-year 14⅞-15⅞ per cent.

ECU linked deposits: one-month 16-16⅜ per cent; three months 15⁹⁄₁₆-15¹⁵⁄₁₆ per cent; six-months 15⁵⁄₁₆-15¹¹⁄₁₆ per cent; one-year 14⅞-15⅛ per cent.

Asian $ (closing rates in Singapore): one-month 19¾-19⅞ per cent; three-months 19⁹⁄₁₆-19¹¹⁄₁₆ per cent; six-months 18⅝-18¾ per cent; one-year 17⅜-17½ per cent. Long-term Eurodollar two-years 16⅝-16⅞ per cent; three-years 16⅝-16⅞ per cent; four-years 16½-16¾ per cent; five-years 16⅜-16⅝ per cent; nominal closing rates. Short-term rates are call for U.S. dollars, Canadian dollars and Japanese yen; others two-days' notice.

The following nominal rates were quoted for London dollar certificates of deposit: one-month 19.10-19.20 per cent; three-months 18.95-19.05 per cent; six-months 18.05-18.15 per cent; one-year 17.20-17.30 per cent.

LONDON MONEY RATES

May 22 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	9-11¼	10¾-11	—	—	10¼-11¼	9-10⅞	—	—	—
2 days notice	—	—	11⅜-11⅝	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	11¼-11½	11¾-12	—	11⅞	11½	10¾-11	—	—	—
One month	11¹¹⁄₁₆-11¹³⁄₁₆	11¹¹⁄₁₆-11¹³⁄₁₆	11¾-12	13⅛-12⅞	12¹⁄₁₆	12⅛-12⅝	11¼-11½	11⅝	11½-11¹¹⁄₁₆	12¹⁄₁₆
Two months	12¹⁄₁₆-12³⁄₁₆	12⅛-12³⁄₁₆	—	13¼-13	12½	12⅝	11½-11⅝	11⁹⁄₁₆	11½-11¹¹⁄₁₆	12⅝
Three months	12⅜-12⅝	12⅜-12½	12¼-12⅛	13¼-13	12¹¹⁄₁₆	12¾	11¾	11⅝	11½-11⅝	12¾
Six months	12⅝-12¹³⁄₁₆	12⅝-12¾	12¼-12¾	13-12⅝	13	13	—	—	11⁹⁄₁₆	12¹⁵⁄₁₆
Nine months	12¹¹⁄₁₆-12⅞	12¾-12⅞	—	13⅜-13⅛	13⅛	13⅛	—	—	—	—
One year	12¹¹⁄₁₆-12¹⁵⁄₁₆	12⅞-13	12⅞-13	13¼-12⅞	13⅜	13¼	—	—	—	—
Two years	—	—	13¾	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rates nominally three years 13¾ per cent; four years 14⅛ per cent; five years 14⅛ per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 11⁹⁄₁₆ per cent; four-months trade bills 12⅛ per cent.

Approximate selling rate for one-month Treasury bills 11¹³⁄₃₂ per cent; two-months 11¹³⁄₃₂ per cent; three-months 11½ per cent. Approximate selling rate for one-month bank bills 11½-11⁹⁄₁₆ per cent; two-months 11½-11⁹⁄₁₆ per cent; three-months 11½-11¹⁷⁄₃₂ per cent; one-month trade bills 12³⁄₁₆ per cent; two-months 12⅛ per cent and three-months 12⁷⁄₁₆ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 13 per cent from May 1, 1981. Clearing Bank Deposit Rates for sums at seven days' notice 9 per cent. Clearing Bank Rates for lending 12 per cent. Treasury Bills: Average tender rates of discount 11.3674 per cent.

CURRENCY RATES

May 22	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	12	0.566557	0.529815
U.S. $	14	1.17164	1.09248
Canadian $	19.05	1.40679	1.31294
Austria Sch	6¾	19.1411	17.9440
Belgium F	14	44.2441	41.3612
Danish K	11	8.49908	7.95415
D mark	7½	2.71352	2.53564
Guilder	9	3.02049	2.81859
French Fr	9¼	—	6.10914
Lira	19	1348.66	1263.26
Yen	6¼	261.159	243.349
Norwgn. Kr.	9	6.68186	6.25662
Spanish Pts	8	107.674	100.563
Swedish Kr.	12	5.75168	5.39848
Swiss Fr.	5	2.42588	2.26143
GreekDr'ch.	20½	—	61.4191

WORLD STOCK MARKETS

Good rally on Paris Bourse

STOCKS ON the Paris Bourse staged a widespread good rally yesterday, although in relatively light volume, following the heavy setback which started on May 11 on investor fears arising from Socialist Francois Mitterrand's victory in the French Presidential election.

Market observers said sellers had been more or less absent from the market yesterday following statements aimed at reassuring small investors by officials of the newly-formed French Government. The visit by West German Chancellor Helmut Schmidt to President Francois Mitterrand over the weekend also helped investor confidence, they added.

All U.S. markets were closed yesterday for the Memorial Day holiday.

The CAC General index recovered 1.7 to 88.4 and the Indicateur de Tendance index 2.0 to 87.8, but this is still far below the respective index levels of 109.8 and 105.2 ruling on May 8, just ahead of the Presidential election result.

Rises outpaced declines by a five-to-one ratio with practically all sectors ahead, although some isolated weakness was seen among Banks, Metals and Chemicals.

A handful of stocks were marked up by 10 per cent or more.

Oils recorded some of the largest advances, with Esso SAF up FFr 8.3 at FFr 178.5, Elf Aquitaine FFr 39 at FFr 778 and Raffinage FFr 4 at FFr 103.

Michelin moved ahead FFr 38 to FFr 738, Bouygues FFr 41 to FFr 735 and Paribas FFr 8 to FFr 184.5.

Canada

A firmer tendency prevailed yesterday morning, in moderate activity, with the Oils sector performing the best. The Toronto Composite Index was ahead 7.6 at 2,359.6 at noon, while the Oil and Gas Index rose 53.4 to 5,072.0, but Golds declined 9.8 to 4,449.8.

Mitel continued its gains of last week, rising 1¼ to 47¼, and Bell Canada put on ⅛ to C$18¼. Both have gone up following American Telephone's decision on a technical standard for Videotex compatible with the Telidon system.

Tokyo

After a modest setback in Saturday's half-day session on profit-taking, the market resumed its advance yesterday. Buying was concentrated in Motors, Steels, Shipbuildings, Heavy Electric Machines and high-priced Light Electricals.

However, trading was well below recent high levels, slowing to 350m shares from last Friday's 770m and failing to even reach the short session total of 370m for Saturday. The Nikkei-Dow Jones Average, which receded 14.94 on Saturday, climbed 34.69 to 7,560.77, while the Tokyo SE index, off 1.04 on Saturday, rose 2.53 to 559.27.

Due to Saturday's closing prices being unavailable, yesterday's Japanese share price list shows changes based against last Friday's closing prices.

Trading was slow due to end-month reasons and a lack of fresh factors. The OPEC meeting in Geneva attracted little attention as dealers expect no surprising decisions.

Mitsubishi Heavy, which announced larger annual after-tax profits on smaller sales after the market closed, added Y8 at Y315.

Sony moved ahead Y130 to Y5,430, Matsushita Electric Y40 to Y1,730, Honda Motor Y45 to Y940, Toyota Motor Y35 to Y1,100, Nissan Motor Y11 to Y830. Canon Y30 to Y1,440, Mitsubishi Electric Y9 to Y365, Fuji Electric Y13 to Y338 and Sumitomo Metal Y7 to Y280.

Communications, Electric Wire Manufacturers, Shippings, Electric Powers, Constructions and Foods were also mainly higher, but Chemicals, Pharmaceuticals and Oils lost ground.

Australia

Oil stocks continued to dominate firmly amid hopes that the Blina oil discovery would prove to be a major oil field in Western Australia's Canning Basin.

Vamgas, the only Blina partner listed on Australian exchanges, rose A$1.40 more to A$14.70 for a two-day advance of A$3.90, helping he Oil and Gas index gain a further 13.9 to 942.4. However, signs of hesitation were emerging near the close, and several Oil issues finished off their day's highs.

Woodside, with a 53 per cent stake in Vamgas, ended 3 cents harder at A$2.48 after rising 12 cents on Friday, while a wide range of smaller stocks associated with the Canning Basin strengthened, including Swan Resources, up 38 cents at A$1.53, and Eagle, 30 cents higher at

Cluff Oil added 15 cents at 55 cents, Crusader 70 cents at A$8.50, Oil Company 6 at 62 cents, Santos 20 cents at A$7.10 and Genoa 30 cents at A$3.60.

The Mining and Industrial sectors were mixed with a slight bias to higher levels, althoug nervousness over the rise in U.S. Prime Rates to 20¼ per cent and its effect on metal prices had dampened enthusiasm.

Overall market leader BHP, helped by its oil interests, put on 30 cents to A$14.60, while Western Mining also stood out firmly with an improvement of 16 cents at A$5.42.

On the takeover scene, Petersville eased 3 cents to A$2.45, but bidder H. C. Sleigh recovered 9 cents to A$1.47.

Germany

Shares were mixed to lower after quiet trading, with brokers noting little purchasing activity.

Brokers said some brief buying, however, left recorded gains for isolated shares.

In lower stores, Karstadt shed DM 4 to DM 196 after reporting a very slight turnover rise for the first four months of 1981.

Hong Kong

Stocks again closed mainly modestly easier yesterday, the market continuing to show a minor technical correction after a run-up during which it has climbed over 300 points since mid-March, as measured by the Hang Seng index.

The index finished 7.72 down at 1,588.90, while total turnover on the four exchanges further decreased to HK$ 441.05m from last Friday's HK$ 539.71m.

The pause was generally expected, and dealers see a couple of days of consolidation ahead.

Trafalgar receded 25 cents to HK$ 6.05 after Friday's announcement of a Preference share rights issue, which operators were not taking interest in as yet.

Johannesburg

Gold shares closed mixed but with a firmer bias after very quiet trading, with the UK market closure and the steady Bullion price restraining activity. Gains ranged to 125 cents, as in East Drie, at R33.00, while losses stretched to 200 cents, as in FS Geduld, at R48.00.

Singapore

Share prices, continuing last week's trend, declined after a firmer opening amid some bearish market factors, political uncertainty in Malaysia and a generally sluggish tone. The Straits Times Industrial index ended 8.42 lower at S$1.35. The index has continued on a mostly downward trend since hitting a record 910.24 on May 15.

More bearish news came from the Malaysian political scene, one broker said, as Malaysian Education Minister Musa Hitam entered the race for one of the top spots in the new Government that will be elected next month.

A good deal of profit-taking and some selling by foreign investors also dragged prices down, he said.

NEW YORK

CANADA

Stock	May 22	May 21
Abitibi	27	27⅜
Agnico Eagle	12⅞	12¾
Alcan Alumin	39⅜	38¾
Algoma Steel	46⅞	47
Asbestos	38¼	38¼
Bk Montreal	28¼	28

BELGIUM (continued)

May 25	Price Frs.	+ or —
Petrofina	4,115	—40
Royale Belge	4,100	—50
Soc Gen Banq.	1,710	—15
Soc Gen Belge	950	+68
Sofina	2,305	......
Solvay	2,145	+60
Traction Elect.	1,855	+10

HOLLAND

May 25	Price Fls.	+ or —
ACF Holding	81	—0.5
Ahold	68	—0.5
AKZO	22.8	+0.2
ABN	278	—2
AMEV	86.5	—1
AMRO	51.1	—1.1

AUSTRALIA

May 25	Price Aust. $	+ or —
ANZ Group	4.8	+0.05
Acrow Aust	1.50	......
Allstate Expl	0.95	—0.05
Ampol Pet	1.65	......
Assoc. Pulp Pap.	2.30	—0.05
Audimco	0.20	......
Aust. Cons. Ind.	1.98	......
Aust. Guarant.	1.91	—0.01

JAPAN (continued)

May 25	Price Yen	+ or —
Kubota	347	......
Kumagai	350	+2
Kyoto Ceramic	4,560	......
Lion	395	—11
Maeda Cons.	584	+4
Makita	680	......
Marubeni	358	—2
Marudai	646	—4

DENMARK

FRANCE

ITALY

NORWAY

SWEDEN

GERMANY

AUSTRIA

SWITZERLAND

BELGIUM/LUXEMBOURG

HONG KONG

SINGAPORE

SOUTH AFRICA

JAPAN

BRAZIL

Financial Rand US$0.88½ (Discount of 25%)

Indices

NEW YORK — DOW JONES

STANDARD AND POORS

N.Y.S.E. ALL COMMON

MONTREAL

TORONTO

NEW YORK ACTIVE STOCKS

Mitsubishi Heavy Industries' dull year

By Yoko Shibata in Tokyo

MITSUBISHI Heavy Industries, Japan's largest heavy machinery maker, exprienced nominal growth in earnings for the year ended March 1981 and sees little chance of an upturn in the current 12 months.

Held back by financial pressures and a sales setback in chemical plant, operating profits rose only by 2 per cent to Y22.9bn ($103m). Net profits gained by 3.5 per cent to Y12.1bn on sales of Y1,325bn, down 1.8 per cent.

Per share profits were virtually unchanged at Y5.07, against Y5.08. The dividend is being held at Y4 a share.

Shipbuilding sales gained by 11.3 per cent to account for 18.9 per cent of total turnover, but sales of chemical plant fell by 53.9 per cent to account for 5 per cent. Sales of the machinery division also experienced a setback. Exports, which accounted for 32.8 per cent of total sales, declined.

Profitability in shipbuilding improved "considerably," which helped improve the group's ratio of operating profits to sales. Lower down the profit and loss account, however, net interest payments, up by Y5.5bn, and a Y7.9bn turnround into exchange losses checked net earnings.

This year, the company expects sales to increase by 20 per cent to Y1,600bn, though defence orders are expected to decline. Earnings from the shipbuilding division should recover to a break-even point, but the plant division is heading for a further deterioration.

As a result, operating profits this year are expected to remain sluggish.

KHD order books swell as foreign demand rises

BY JONATHAN CARR IN COLOGNE

KLOECKNER-Humbold-Deutz (KHD), the West German engineering group, has started 1981 with an unparalleled burst of incoming orders, but with further pressure on earnings.

Dr. Bodo Liebe, chairman of the executive board, said order intake rose in the four months ended April by 64 per cent to DM 1.7bn ($732m), thanks to a clear doubling of foreign demand and an increase of 16 per cent at home. Turnover rose by 8 per cent to DM 1.1bn.

Despite this "highly satisfactory" development, Dr. Liebe stressed there were so many factors of uncertainty he was unable to make any profits or dividend forecast. In 1980 KHD parent company net profits fell to DM 37.1m from DM 52.1m, on sales up by 12 per cent at DM 3.8bn. The 1980 dividend is being held at 14 per cent.

Dr. Liebe's press conference comments—a striking mixture of confidence in KHD's knowhow and fears about rising costs and political uncertainty—typify the mood in German industry in general and in engineering in particular.

On the positive side, Dr. Liebe said the group was still able to earn "well" on high technology products, there had been a further increase in demand from members of the Organisation of Petroleum Exporting Countries, the U.S. market was buoyant and KHD expected continued above-average growth there.

On the other hand the German market was flaccid, and labour costs were very high, meaning KHD would this year have to further reduce domestic personnel. At the end of April the number of parent company employees stood at 23,200, a reduction of more than 700 against April, 1980.

While the weakness of the D-mark against the dollar was helping KHD's price competitiveness, the group was meeting ever growing pressure on foreign markets.

The position and outlook for KHD's three main sectors — engines, agricultural machinery and industrial plant — was given as follows:

● Engines (especially diesel, air cooled): Still much the biggest single division, with sales up last year by 9 per cent to DM 1.8bn and incoming orders by 7 per cent to DM 1.7bn. The marine market remains depressed but engine sales in the U.S. rose last year by more than one-fifth and remain strong.

● Agriculture: Sales last year fell by 1 per cent to DM 1.1bn and orders by 4 per cent, also, to DM 1.1bn. The main reasons for the setback include a drop in European farmers' real incomes and a reluctance to invest, combined with reverses in Argentina, where KHD has temporarily closed its production facilities. However, some improvement is felt possible in 1981.

● Plant: Last year sales rose by 44 per cent to DM 897m and orders by 88 per cent to DM 861m — big swings caused by several particularly large orders typical of this sector. This year has already started well with an order from Iraq for a DM 500m cement works.

Dr. Liebe also noted that the dispute with Fiat over the sale of KHD's 20 per cent share in Iveco — the Fiat-KHD commercial vehicles holding company—remained before arbitration. It was not clear when the matter would be resolved.

Upsurge at Sharp Corporation

BY OUR TOKYO STAFF

SHARP CORPORATION, the electronics group, reports a steep rise in net earnings for the year ended March 1981 and expects a further advance for 1981-82.

On sales 27 per cent higher at Y501bn ($2.25bn) net profits rose by 30 per cent to Y16.3bn. For this year, Sharp forecast sales and earnings gains of 20 per cent and 10 per cent respectively.

Operating profits rose by 24 per cent to Y29,243m in 1980-81 and per share profits improved to Y25.68, from Y23.40.

Sales in home electrics and appliances were depressed by cool summer weather and a warm winter, but sales of TV sets and VTRs gained by 69.1 per cent to account for 26.9 per cent of the total. Audio equipment increased sales by 38.3 per cent and industrial machinery and electronics parts turnover advanced by 26.9 per cent.

Exports gained strongly by 48 per cent to account for 56.2 per cent of total turnover thanks to what Sharp describes as its fine mix of export products.

Strong exports of value-added products such as personal computers, copiers and VTRs contributed to the earnings improvement.

For the current year, Sharp plans to spend Y45bn on further capacity expansion of semiconductors, solar batteries and VTRs. It plans to increase semiconductor production to 5m a month from the current 4m units.

Two other Japanese electrical groups also reported higher earnings yesterday. Sumitomo Electric has pushed net profits up to Y7.5bn from Y6.7bn, while Oki Electric has emerged with earnings of Y3.9bn, compared with Y3.1bn.

Sumitomo is paying an unchanged Y6 a share dividend. At Oki the payment is going up from Y4 to Y5. Both companies' financial year ended March 1981.

IHC plans rights issue and listing

By Charles Batchelor in Amsterdam

IHC INTER, the Dutch holding company with a majority stake in the specialised offshore equipment and exploration company, IHC Inc., plans a one-for-two rights issue. Traded on the over-the-counter market in Amsterdam the company will also seek a listing on the Amsterdam Bourse.

IHC Inter has fully paid up capital of Fl 3.83m ($1.5m). At the current share price—its Fl 10 nominal shares trade at around Fl 193 over the counter—the rights issue would raise Fl 37m. The issue price will be announced in June.

The company expects IHC Inc to make a substantially higher profit this year than the SwFr 20.6m ($9.9m) of 1980, on the basis of its order book and progress so far. However, uncertainties surrounding deliveries immediately before and after the year-end and balance-sheet items which can only be determined at the year-end "make a more exact forecast impossible."

IHC Inter has a 60 per cent stake in the Swiss-registered IHC Inc, which in turn fully owns the SBM Group, which makes offshore terminals, and also has a 33 per cent stake in Forasol, a French drilling company. IHC Inter increased profit by 18 per cent last year to Fl 12.2m.

DG Bank increases earnings

BY STEWART FLEMING IN FRANKFURT

IN SPITE of an 18 per cent slump in interest earnings to DM 131m, DG Bank, the Frankfurt-based banking group controlled by West Germany's credit co-operatives, increased net profits for 1980 from DM 44.8m to DM 69.4m ($30m).

In the wake of what Dr. Felix Viehoff, the bank's chief executive, described as the most difficult year for the banking industry in the post-war period, DG Bank is not planning any significant increase in its balance-sheet assets in 1981.

Last year, group assets increased by 15 per cent to DM 65.5bn. Priority is now being given to strengthening the capital ratio of the bank (which at the end of 1980 had sunk to 2.5 per cent), partly because of expectation that a reform of German banking law will require stronger capital resources to support current levels of business.

DG Bank is a universal bank with an extensive national and international business in its own right. It also acts as a central bank for the co-operative banking sector in Germany. It has total assets of more than DM 344bn.

DG Bank's role in managing the liquid resources of the credit co-operatives has been one of its problems over the past year and its interest margin slumped from 0.47 per cent in 1979 to 0.34 per cent last year.

The bank is paying a maintained 5 per cent dividend to its shareholders—80 per cent of its capital is owned by the nine regional co-operative banks. It expects to raise new capital late this year or in 1982.

It is already evident, however, that the bank could be facing a difficult year in 1981. In the first three months earnings have weakened slightly, although since March DG Bank says there has been a steady improvement.

Krupp shipyard moves deeper into the red

By Our Financial Staff

KRUPP, the German group of steel and heavy industrial companies, will have to cover for 1980 a DM 72.4m ($31m) loss by its Weser shipbuilding subsidiary.

Krupp holds 86.5 per cent of the shipbuilder, whose loss totalled DM 65m in 1979. It said the losses were mainly the result of sharply lower orders, notably large tankers.

Weser is restructuring its yard to accommodate the construction of small- and medium-sized tankers under 150,000 tons. In addition, some of the facility is being converted to non-shipbuilding production.

Karstadt confirms weak German retail turnover

BY KEVIN DONE IN FRANKFURT

KARSTADT, West Germany's largest retailing group, achieved only a marginal increase in turnover in the first four months of the year, to DM 2.93bn, a rise of 1.1 per cent.

During May the company has been mounting a special 100 years jubilee sales promotion which should improve its performance, but in the first quarter it has done little better than the general retail sector in the country. First-quarter German retail sales rose 1 per cent. In real terms, however, there was a fall of 4 per cent.

Karstadt is yet to give details of its profits for 1980, but it is expected to announce a substantial improvement over 1979 despite only a 2.9 per cent rise in stores turnover to DM 8.7bn.

After-tax profits of the traditional Karstadt operations—excluding the loss-making Neckermann subsidiary—totalled DM 44m in 1979, a steep fall from the DM 66m reported in the previous year.

Karstadt is now beginning to reap the benefit, however, of its DM 1.9bn capital investment programme which dominated the five years from 1976 to 1980 as the group radically expanded, restructured and modernised its stores network. At the same time the start-up costs for the newly-built or newly-acquired stores are now falling sharply.

The group still faces serious problems with its 90 per cent-owned mail order and travel subsidiary, Neckermann, which is expected to run up further losses this year after accumulating a deficit of DM 69.7m in 1980.

Karstadt now has 155 stores in operation with a total floor space of 1.26m sq metres, an increase of 1.2 per cent since the beginning of the year.

Its travel bureaux increased their turnover by 6 per cent to DM 165.7m in the first four months. The Karstadt workforce fell by 550 to 63,400 in the first four months, while personnel costs increased by 6.3 per cent.

Japan stake for major Saudi plant

By Richard C. Hanson in Tokyo

THE Japanese Government has agreed formally to take a 45 per cent share of the Y48bn ($216m) in capital to be invested by Japan in a giant petrochemical project in Saudi Arabia.

The project, which also involves Dow Chemical of the U.S., calls for a huge complex to be built in Al Jubail on the Gulf. Work is to start in 1982 for completion in 1985. The Japanese-Saudi portion of the project, in a joint venture with Saudi Basic Industries Corporation, is estimated to cost Y326bn.

The Japanese partner company, called Saudi Petrochemical Development Corporation, is made up of 59 companies centering round the Mitsubishi group. Government funds are from the Overseas Economic Co-operation Fund (OECF).

Swiss coffee specialist seeks market quotation

BY JOHN WICKS IN ZURICH

JACOBS, the Swiss coffee concern, is planning a stock exchange listing. Herr Klaus J. Jacobs, the managing director, said that this would not, however, take place before 1983.

Last year's record results—net profit rose by 7 per cent to SwFr 62m ($30m)—should be followed by a further slight improvement in 1981, said Herr Jacobs. The first quarter of this year had shown a continuation of 1980 growth.

While stressing the pressure from competition on international markets and possible fluctuations in commodity trading, Herr Jacobs told journalists there was "no reason for pessimism" for the year as a whole.

In 1980, results had been better than originally expected and group turnover rose by 12.8 per cent to SwFr 2.64bn. Jacobs recommends an unchanged dividend of SwFr 12 per share.

Almost all group companies had increased their respective market share, with a "particularly gratifying expansion" in premium brands. Jacobs is market leader in Germany, France, Canada and Austria, and the world coffee market "still offers plenty of opportunity for international expansion."

Accounting move hampers Brown Boveri cash-flow

BY OUR ZURICH CORRESPONDENT

CONSOLIDATION of a U.S. company into the accounts was the main reason for a 15 per cent decline in group cash-flow to SwFr 412m ($202m) at Brown Boveri last year.

Speaking at the annual Press conference, Herr Franz Luterbacher, board chairman, said the decline would have been "very substanitally less" had it not been for the consolidation of Brown Boveri Electric of Illinois. As it was cash-flow emerged at its lowest level for seven years.

Other factors involved in the setback were heavy competition in power-station construction and in some areas of power distribution and transmission equipment, as well as losses outside Switzerland.

Group turnover, which rose by 14 per cent last year to SwFr 10.06bn — or by 11 per cent excluding the consolidation of Brown Boveri Electric — went up by 4 per cent in the first quarter of 1981. A similar gain was reported for new orders, which in calendar 1980 had risen 19 per cent to SwFr 10.48bn.

Cash-flow this year "ought not" to fall below the 1980 level, although there were no signs of any "spectacular improvements in profitability."

PENDING DIVIDENDS

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming board meetings (indicated thus*) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent shown in the column headed "Announcement last year."

	Date	Announcement last year		Date	Announcement last year
*Allied Breweries	June 5	Final 3.0	Hill Samuel	June 12	Final 4.018
*Allied Irish Banks	May 27	Final 3.5	ICL	May 29	Int. 0.95
Assoc. British Foods	June 9	Final 2.3	Intl. Timber	June 10	Final 5.6
Aust. and NZ Bank	May 19	Int. 12 cents	*Johnson and Firth Brown	May 28	Int. 1.3
*Avon Rubber	June 3	Int. 4.0	Johnson Matthey	June 18	Final 12.0
*BOC Intl.	May 26	Int. 2.1	*London and O'seas Frtrs	June 10	Final 1.072
Baker Perkins	June 19	Final 4.35	*MEPC	June 2	Int. 1.75
*Bass	June 9	Int. 2.3	*Marley	June 3	Int. 2.0
*Beecham	June 4	Final 3.245	*Metal Box	June 8	Final 11.83
Bensford (S. & W.)	June 19	Int. 3.25	*Northern Foods	June 4	Int. 2.0
*Bilton (P.)	May 28	Final 4.4	*Pilkington Bros	June 12	Final 5.5
Brit. and Com. Shipping	June 12	Final 7.0	Racal Electronics	June 19	Final 3.075
Chloride	June 12	Final 2.3	*Reed Intl.	June 2	Final 9.0
*Coalite	June 3	Final 2.56	Samuel (H.)	May 19	Final 5.524
*Courtaulds	May 28	Final 5.674	*600 Group	June 11	Final 2.91
*Debenhams	May 29	Final 4.324	Sketchley	June 3	Final 5.2
De La Rue	June 3	Final 13.2	*Tate and Lyle	May 27	Int. 4.0
Duport	May 21	Final 3.116	Tesco	June 18	Final 1.45
Electronic Rentals	June 5	Final 3.143	Tunnel	June 19	Final 6.0
English China Clays	June 19	Int. 2.5	*UBM	May 28	Final 3.5
GEI Intl.	June 17	Final 3.655	UKO Intl.	June 12	Final 6.48
Great Portland Estates	June 9	Final 4.0	Valor	June 12	Final 1.891
*Guinness (A.)	June 12	Int. 1.575	Ward (T. W.)	June 3	Int. 2.407
Guthrie	June 5	Final 21.0	Wedgwood	June 20	Final 2.426
Hambros	June 16	Final 112.5	Westland Aircraft	June 18	Int. 2.0
Hanson Tst.	June 11	Int. 3.75	Woodhead (Jonas)	June 13	Final 5.0
Harrisons and Crosfield	June 3	Final 20.5	*Wolv. and Dudley Brws	May 29	Int. 3.0
Hickson and Welch	June 5	Int. 2.5			

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

BASE LENDING RATES

A.B.N. Bank	12 %	■ Guinness Mahon	12 %
Allied Irish Bank	12 %	■ Hambros Bank	12 %
American Express Bk.	12 %	Heritable & Gen. Trust	12 %
Amro Bank	12 %	■ Hill Samuel	§12 %
Henry Ansbacher	12 %	C. Hoare & Co.	†12 %
AP Bank Ltd.	12 %	Hongkong & Shanghai	12 %
■ Arbuthnot Latham	12 %	Keyser Ullmann	12 %
Associates Cap. Corp.	12 %	Knowsley & Co. Ltd.	14 %
Banco de Bilbao	12 %	Langris Trust Ltd.	12 %
BCCI	12 %	Lloyds Bank	12 %
Bank of Cyprus	12 %	Mallinhall Limited	12 %
Bank of N.S.W.	12 %	Edward Manson & Co.	13 %
Banque Belge Ltd.	12 %	Midland Bank	12 %
Banque du Rhone et de la Tamise S.A.	12½%	■ Samuel Montagu	12 %
Barclays Bank	12 %	■ Morgan Grenfell	12 %
Beneficial Trust Ltd.	13 %	National Westminster	12 %
Bremar Holdings Ltd.	13 %	Norwich General Trust	12 %
Bristol & West Invests.	13 %	P. S. Refson & Co.	12 %
Brit. Bank of Mid. East	12 %	Ryl. Bk. Canada (Ldn.)	12 %
■ Brown Shipley	12 %	Slavenburg's Bank	12 %
Canada Perm't Trust	13 %	E. S. Schwab	12 %
Cayzer Ltd.	12 %	Standard Chartered	‖12 %
Cedar Holdings	12 %	Trade Dev. Bank	12 %
■ Charterhouse Japhet	12 %	Trustee Savings Bank	12 %
Choulartons	12 %	TCB Ltd.	12 %
C. E. Coates	12 %	United Bank of Kuwait	12 %
Consolidated Credits	12 %	Whiteaways Laidlaw	12½%
Co-operative Bank	*12 %	Williams & Glyn's	12 %
Corinthian Secs.	12 %	Wintrust Secs. Ltd.	12 %
The Cyprus Popular Bk.	13 %	Yorkshire Bank	12 %
Duncan Lawrie	12 %		
Eagil Trust	12 %		
E. T. Trust Limited	12 %		
First Nat. Fin. Corp.	14½%		
First Nat. Secs. Ltd.	14½%		
Robert Fraser	12 %		
Antony Gibbs	12 %		
Greyhound Guaranty	12 %		
Grindlays Bank	‡12 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 9%, 1-month 9¼%. Short term £4,000/12 months 11.85%.
† 7-day deposits on sums of £10,000 and under 9%, up to £50,000 9¼%, and over £50,000 10¼%.
‡ Call deposits £1,000 and over 9%.
‖ Demand deposits 9¼%.
§ 21-day deposits over £1,000 10¼%.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest	Interest payable	Minimum sum	Life of bond
	%		£	Year
Knowsley (051-548 6555)	12½	½-year	1,000	1-2
Redbridge (01-478 3020)	12¾	½-year	200	6-7

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid Up	Latest Renunc. Date	1981 High	1981 Low	Stock	Closing Price p	+ or –	Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	F.P.	—	[illegible]	[illegible]	Allegheny Int. Inc.	[illegible]					
[illegible]	F.P.	—	[illegible]	[illegible]	Amdahl	[illegible]					
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Atlantic Res.	[illegible]					
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Business Comp Syst.	[illegible]					
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Charlotte Int. Tst.	[illegible]					
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	G.T. Global Rec. Inv. Tst.	[illegible]					
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Energy Res. & Service	[illegible]					
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Fst Charlotte Act Tst	[illegible]					
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Harvey & Thompson	[illegible]					
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Intasun	[illegible]					
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Mitsubishi	[illegible]					
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Metal Bulletin	[illegible]					
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Reliant Motors	[illegible]					
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Sirdar Tv	[illegible]					
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Stone Platt Cnv Ord Pf	[illegible]					

FIXED INTEREST STOCKS

Issue Price £	Amount Paid Up	Latest Renunc. Date	1981 High	1981 Low	Stock	Closing Price £	+ or –
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	BPO 7.75% Non. Cum. Prf.	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Cambridge Water 8% Pref. 1986	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Crouch Gp. 9% Con. Uns. Ln. '93-98	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Finland 14¼% Ln. 1986	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Internat. Bk. 13¼% Ln. 1986	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Laing Props 8% Cnv. Uns. Ln. 2000-05	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Leeds (City of) 13¾% Red. 2006	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Newcastle Water 7¼% Red. Pref. 1986	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Norton (W.E.) 11% Cnv. Cum. Red. Prf.	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Paterson Zochonis 10% Cum. Pref.	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Petroleos Mex. 14¼% Ln. 2006	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Pilkington 6% Cnv. Prf.	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Swansea (City of) 13¾% Red. 2006	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Star Group 10% Cnv. Part. Conv. Prf.	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	West Hampshire Water 8% Red. Prf. 1985	[illegible]	

"RIGHTS" OFFERS

Issue Price p	Amount Paid Up	Latest Renunc. Date	1981 High	1981 Low	Stock	Closing Price p	+ or –
64	[illegible]	[illegible]	[illegible]	[illegible]	Amal. Power Eng.	[illegible]	
2	[illegible]	[illegible]	[illegible]	[illegible]	Barker & Dobson	[illegible]	
190	[illegible]	[illegible]	[illegible]	[illegible]	Barratt Devs.	[illegible]	
380	[illegible]	[illegible]	[illegible]	[illegible]	Brit. Car Auction	[illegible]	
65	[illegible]	[illegible]	[illegible]	[illegible]	Brit. Dredging	[illegible]	
25	[illegible]	[illegible]	[illegible]	[illegible]	Broken Hill Prop.	[illegible]	
SA9	[illegible]	[illegible]	[illegible]	[illegible]	Cadbury Schweppes	[illegible]	
77	[illegible]	[illegible]	[illegible]	[illegible]	Country & New Town Props	[illegible]	
600	[illegible]	[illegible]	[illegible]	[illegible]	Electrical & Industrial	[illegible]	
55	[illegible]	[illegible]	[illegible]	[illegible]	Fothergill & Harvey	[illegible]	
92	[illegible]	[illegible]	[illegible]	[illegible]	Hong Kong & Shanghai Bank	[illegible]	
98	[illegible]	[illegible]	[illegible]	[illegible]	L.M.L.	[illegible]	
95	[illegible]	[illegible]	[illegible]	[illegible]	Lloyd's Shop Pr'p	[illegible]	
103	[illegible]	[illegible]	[illegible]	[illegible]	Mowlem (J.)	[illegible]	
205	[illegible]	[illegible]	[illegible]	[illegible]	Rohan Group	[illegible]	
48	[illegible]	[illegible]	[illegible]	[illegible]	Rowntree Mackintosh	[illegible]	
‖	[illegible]	[illegible]	[illegible]	[illegible]	Smurfit (Jefferson)	[illegible]	
138	[illegible]	[illegible]	[illegible]	[illegible]	Sterling Credit	[illegible]	
Ir165	[illegible]	[illegible]	[illegible]	[illegible]	Sutar Electrical	[illegible]	
160	[illegible]	[illegible]	[illegible]	[illegible]	Western Selection	[illegible]	
131	[illegible]	[illegible]	[illegible]	[illegible]	Woodside	[illegible]	
6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
40	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
30	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
$A1¾	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. [illegible] ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. p Pence unless otherwise indicated. [illegible] "rights." [illegible] connection with reorganisation, merger or take-over. [illegible] former preference holders. [illegible] party-paid allotment letters. ✱ With warrants. [illegible] ✱ Unlisted Securities Market. [illegible] scrip.

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

Cresipemont Fixed Int. Mngrs. (Jersey)

BWS Deutsche Ges. F. Wertpapiersp

[illegible]

NOTES

[illegible]

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury 0296 5941

Abbey Am. Gth. Tst.	62.0	66.7	+0.4	2.17
Abbey Capital	50.9	55.0xd	-0.2	4.00
Abbey General	58.6	63.4	-0.5	4.84
Abbey Gilt & F.I. Tst.	103.5	108.9	-0.6	12.03
Abbey Income	38.9	42.0xd	-0.2	8.36
Abbey W'w Bd. Tst.	93.9	99.4	+0.2	6.74
Abbey Inv. Tst. Fd.	52.8	57.1	-0.1	4.20
Equitas Prog. Tst.	83.9	90.7xd	-0.5	4.51

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill, London EC3V 3PB. 01-623 6314.

AHR Gilt Trust	82.7	87.2xd	+0.1	13.00

Allied Hambro Ltd. (a) (g)
Hambro Hse., Hutton, Brentwood, Essex.
01-588 2851 or Brentwood (0277) 211459

Balanced Funds

Allied 1st	93.9	100.5	-0.5	5.57
Brit. Inds. Fund	78.5	84.3xd	-0.6	6.05
Growth May 20	54.1	57.9	-0.2	4.66
Elect. & Ind. Dev.	47.2	90.5xd	-0.1	4.95
Allied Capital	99.6	106.6	-0.4	4.15
Hambro Fund	138.9	148.6	-0.7	5.59
Hambro Acc. Fund	190.4	203.7	-1.0	4.05

Income Funds

High Yield Fd.	72.0	77.0	-0.4	7.79
High Income	84.8	90.7	-0.5	7.06
Equity Income Fd.	49.1	52.5	-0.1	6.97
Govt. Secs.	24.2	24.8xd	-0.1	12.50

International Funds

Crescent Unit Tst. Mngrs. Ltd. (a)(g)
4 Melville Cres., Edinburgh 3 031-226 4931

Cres. Amer. Fd.	46.8	50.5	+0.4	0.50
Cres. Internat'l.	90.5	97.7	+0.5	1.60
Cres. High. Dist.	45.2	48.8xd	-0.3	9.73
Cres. Reserves	52.3	56.4	-0.7	5.21
Cres. Tokyo	37.8	40.8	+0.5	0.86

Dartington Unit Trust Mngt. Ltd.
Bridge Chambers, Barnstaple, Devon 0271 76324

Total Perf. Unit Tst.	23.6	25.0xd	.....	8.52

Discretionary Unit Fund Managers
36/38 New Broad St., EC2M 1NU. 01-638 4485

Disc. Inc. May 15	258.0	275.1xd	.....	4.86

E. F. Winchester Fund Mngt. Ltd.
44, Bloomsbury Square, WC1A 2RA 01-623 8893

Great Winchester	20.7	22.4	.....	6.17
Gt. Winchester O'seas	30.2	33.3	.....	3.19

For Emson and Dudley see Robert Fraser Tst. Mgmt.

Equity & Law Un. Tr. M.♥ (a)(b)(c)
Amersham Rd., High Wycombe. 0494 33377

Equity & Law	93.2	98.1	-0.6	4.45

Fidelity International Management Ltd.
62-63 Queen St, London EC4 1AD 01-248 4891

American (z)	42.8	46.1	+0.4	0.51
Ameri. Spec. Sits. (z)	30.8	33.2xd	+0.4	0.20
Gilt + Fixed Int.	23.8	25.0	-0.3	12.57
Growth + Income	35.1	37.8	-0.2	6.82
Maximum Inc. Eq. Tst.	30.6	33.0	-0.1	8.11
Special Sits.	42.9	46.2	-0.2	1.64

James Finlay Unit Trust Mngt. Ltd.

Lloyd's Life Unit Tst. Mngrs. Ltd.
2, St. Mary Axe, EC3A 8BP. 01-623 6114

Equity Accum. (2)	260.3	274.1	.....	3.92

Local Authorities' Mutual Invest. Tst.*
77, London Wall, EC2N 1DB. 01-588 1815

Prs. Fund April 30		149.45	.....	6.77
Wider Fund April 30		282.20	.....	4.75
Narrower Fd. April 30		77.05	.....	13.22

*Unauthorised. Available only to Local Authorities.

M & G Group (y)(c)(z)
Three Quays, Tower Hill, EC3R 6BQ. 01-626 4588

American	70.4	75.7	-0.2	2.04
(Accum. Units)	75.6	81.9	-0.3	2.04
American Recovery	80.7	86.4xd	.....	1.47
(Accum. Units)	83.4	89.2	-0.1	1.47
Australasian	106.6	114.1	+0.3	0.92
(Accum. Units)	111.7	119.5	+0.4	0.92
Commodity	148.9	159.3	.....	2.70
(Accum. Units)	175.1	187.4	+0.1	2.70
Compound Growth	197.5	211.3	-0.3	2.92
Conversion Growth	127.1	136.0	+2.1	2.43
Conversion Income	79.0	84.5	.....	8.99
Dividend	138.3	150.1xd	-0.7	8.23
(Accum. Units)	316.5	343.4	-1.5	8.23
European	60.6	64.8	.....	3.97
(Accum. Units)	66.4	71.0	.....	3.97
Extra Yield	90.0	96.3	-0.1	9.03
(Accum. Units)	146.3	156.5	-0.3	9.03
Far Eastern	132.0	141.2	+0.6	0.99
(Accum. Units)	150.9	161.5	+0.8	0.99
Fund of Inv. Tsts.	98.3	106.2xd	-0.2	4.34

INSURANCE PROPERTY BONDS

OFFSHORE & OVERSEAS FUNDS

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
4F	4Aug	Exch. 9½pc 1981	95⅜	29.12	9.54	11.55
21F	21Aug	Exch. 3pc 1981	98	15.1	3.06	11.44
17May	17N	Treas. Variable '81§§	99¾	10.4	11.87	12.42
23May	23N	Exch. 12¾pc 1981‡‡	100	16.4	12.70	11.83
15Jul	15Ja	Treas. 8½pc '80-82‡‡	97	9.12	8.70	12.26
15Aug	15F	Treasury 3pc '82‡‡	94⅛	9.1	3.18	11.61
16S	16Mar	Treasury 14pc '82‡‡	101⅜	9.2	13.81	12.03
15D	15Jun	Treas. Variable '82§§	99 xd	11.5	13.03	12.69
5Ja	5Jul	Treasury 8¼pc '82	95	2.12	8.65	13.03
22Mar	22S	Exch. 9¼pc 1982	95	13.2	9.71	13.31
5Jul	5Ja	Exch. 8¾pc 1983	94	1.12	9.27	12.84
21Aug	21F	Exch. 3pc 1983	85	15.1	3.33	10.36
17S	17Mar	Treasury 12pc 1983‡‡	97	9.2	12.29	13.50
24N	24May	Treas. Variable '83§§	98¾	21.4	11.99	12.56
18Ja	18Jul	Treasury 9½pc '83	93	12.12	9.94	13.08
22May	22N	Exch. 13½pc '83	100¼ xd	15.4	13.48	13.41
12Jun	12D	Exch. 10pc 1983	93¼ xd	6.5	10.73	13.28
15Jul	15Ja	Funding 5½pc '82-84‡‡	85¼	9.12	6.41	11.93
20Aug	20F	Exch. 11¼pc 1984	94	14.1	11.86	13.54
22N	22May	Exchequer 14pc 1984	101	15.4	13.85	13.58
19D	19Jun	Exch. 3pc 1984	79½ xd	13.5	3.77	11.08
26Mar	26S	Treasury 12pc 1984	96	17.2	12.50	13.48
22Aug	22F	Treasury 15pc 1985	104	16.1	14.41	13.64
22S	22Mar	Exch. 12pc Cnv. '85	95⅛	—	12.61	13.64
21N	21My	Treasury 3pc 1985	74	14.4	4.03	11.13
15Jan	15Jul	Treas. 11½pc '85(£30pd)	27	—	12.27	13.56
22May	22N	Exch. 12¼pc 1985	95⅝	15.4	12.84	13.64
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

INTERNATIONAL BANK

15F	15A	5pc Stock '77-82	90¼	16.1	5.51	13.38

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS AND HIRE PURCHASE

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS—Continued

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INSURANCE

[illegible]

INSURANCE—Continued

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc.

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

Africa

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

MINES—Continued

Australian

[illegible]

Tins

[illegible]

Copper

[illegible]

Miscellaneous

Dividends Paid		Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's
—		Barymin	45	—	—	—	—
	May	Burma Mines 10p	25	30.3	0.75	0.9	4.3
—		Colby Res. Corp.	220	—	—	—	—
Aug.	Feb.	Cons. Murch. 10c.	275	30.4	Q30c	1.8	6.2
—		††Hemerdon 10c.	75	—	—	—	—
—		Highwood Res.	150	—	—	—	—
—		Northgate C$1	350	97/7	—	—	—
Jan.	July	R.T.Z.	532xd	18.5	16.0	3.2	4.3
—		[illegible]	£112½xd	18.5	[illegible]	—	f8.0
—		††SPD Minerals 10p	110	—	—	—	—
—		Sabina Inds. C$1	32	—	—	—	—
—		††SWCM 10p	42	—	—	—	—
—		Tara Exptn. $1	505	—	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ф Figures or report awaited.
- ♀ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(2)(a); not listed on any Stock Exchange and not subject to any listing requirements.
- ‡‡ Dealt in under Rule 163(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim; reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ** Regional price.
- || No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. ☆☆ Available only to UK pension schemes and insurance companies engaged in pension business. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1980-81. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1980-81. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xk ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	41xd	......
Bertam	14	......
Bdg'wtr. Est. 50p	440	−10
Craig & Rose £1	£11¼	......
Fife Forge	63	......
Finlay Pkg. 5p	19	......
Graig Ship. £1	£16	+½
Higsons Brew	73xd	......
Holt (Jos) 25p	465	+5
I.O.M. Stm. £1	157	......
Pearce (C. H.)	950	−7
Peel Hldgs.	108	......
Sheff. Refrshmt	101	......
Sindall (Wm.)	175	......

IRISH

Conv. 9% '80/82	£92¾	......
Nat. 9¼% 84/89	£74½	......
Fin. 13% 97/02	£78¾	−⅛
Alliance Gas	80	......
Arnott	230xd	−20
Carroll (P.J.)	90	−5
Concrete Prods.	98	......
Helton (Hldgs.)	30	......
Ins. Corp.	420	......
Irish Ropes	53	......
Jacob	57	+1
T.M.G.	19	−4
Unidare	100	......

OPTIONS

3-month Call Rates

Industrials

A. Brew	6½
BOC Intl.	11
B.S.R.	4½
Babcock	11
Barclays Bank	36
Beecham	15
Blue Circle	35
Boots	20
Bowaters	24
Brit. Aerospace	14
B.A.T.	25
Brown (J.)	7
Burton Ord.	12
Cadburys	7½
Courtaulds	6
Debenhams	8
Distillers	17
Dunlop	7½
Eagle Star	22
F.N.F.C.	3½
Gen. Accident	30
Gen. Electric	60
Glaxo	28
Grand Met	14
G.U.S. 'A'	44
Guardian	32
G.K.N.	16
Hawker Sidd	25
House of Fraser	14
I.C.I.	20
"Imps"	7
I.C.L.	6
Ladbroke	30
Legal & Gen.	20
Lex Service	10
Lloyds Bank	28
"Lofs"	4½
London Brick	7
Lucas Inds.	18
"Mams"	20
Mrks. & Spncr	9
Midland Bank	26
N.E.I.	7
Nat. West. Bank	32
P & O Dfd.	13
Plessey	30
Racal Elect.	34
R.H.M.	5
Rank Org. Ord.	18
Reed Intnl.	20
Sears	5
Tesco	5½
Thorn EMI	30
Trust Houses	18
Tube Invest.	18
Turner & Newall	10
Unilever	50
Utd. Drapery	6½
Vickers	15
Woolworths	5

Property

Brit. Land	8
Cap. Counties	11
Land Secs.	37
MEPC	20
Peachey	15
Samuel Props.	13
Town & City	2¼

Oils

Brit. Petroleum	36
Burmah Oil	16
Charterhall	9
KCA	22
Premier	10
Shell	34
Tricentrol	30
Ultramar	49

Mines

Charter Cons.	21
Cons. Gold	45
Lonrho	9
Rio T. Zinc	45

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This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £600 per annum for each security

FINANCIAL TIMES
Tuesday May 26 1981

NEARLY ALL COUNTY TARGETS EXCEEDED

Dilemma over council spending

BY ROBIN PAULEY

THE GOVERNMENT is running into severe trouble with its attempts to find a way to excuse the English shire counties from penalties to be imposed on the rest of local government for overspending.

The main difficulty lies in the fact that all but two (Dorset and Northamptonshire) of the 39 shire counties in England have missed the Government's expenditure target, which requires budgets for 1981-82 to be 5.6 per cent below the actual volume of expenditure in 1978-79.

Apart from Durham, they were all controlled by Conservatives or Conservative Independents when the budgets were fixed.

Local councils together have missed the target by about £900m and, in spite of having been given large amounts of extra cash in grant this year at the expense of the urban areas, the shire counties account for about £400m of this overshoot.

The Government has another set of figures, however, which was used to distribute grant after assessing how much it thought each council needed to spend to provide a standard level of services.

On this set of Environment Department figures, 15 of the counties which have exceeded the volume target are nevertheless spending less than the Government's assessment of their ideal spending level—the

EXAMPLES OF COUNCIL SPENDING PLANS AGAINST GOVERNMENT TARGETS

Authority	1981-82 budgets above (+) or below (−) GRE figure %	1981-82 budgets above (+) or below (−) volume target %
Stevenage	+84.8	+ 1.0
Rossendale	+82.5	− 3.0
Welwyn-Hatfield	+81.0	− 4.9
Thamesdown	+72.5	− 2.2
Wansbeck	+71.1	− 0.2
Copeland	+63.2	− 0.3
Corby	+56.7	−23.0
Stratford-upon-Avon	+55.8	− 1.9
Southwark	+49.0	− 0.1
Berwick-upon-Tweed	+32.1	− 2.1
Brighton	+23.9	− 1.6
Doncaster	+17.7	− 0.4
Wandsworth	+10.2	−14.0
Gillingham	−36.1	+20.1
West Somerset	−29.8	+10.6
West Devon	−24.5	+16.9
West Wiltshire	−22.8	+19.0
South Cambridgeshire	−23.7	+ 2.5
Hinckley and Bosworth	−12.7	+10.1
Rutland	− 7.2	+23.8
Cannock Chase	− 4.7	+25.3
Dudley	− 3.2	+ 9.4
Leicestershire	− 3.0	+ 2.4
Cornwall	− 2.0	+ 8.7
Norfolk	− 1.8	+ 6.0
Kent	− 1.4	+ 5.2

Grant Related Expenditure (GRE).

Another eight counties are either on the GRE level or within two per cent of it although over the volume target.

One problem with excusing these counties is the large amount of money involved: Kent is £19m over the top of its target and Norfolk £10m.

Letting them off would dilute the exercise of trying to bring spending back to target levels to such an extent that it might prove to be a complete failure—as it did last year.

It would also raise a storm of protest from authorities penalised under the volume target—on the grounds that they were being discriminated against and that the Government was breaking a string of assurances given during the past 18 months.

Among these was that the GRE figures would not (yet) be used as a measure of good and bad, particularly as the assessments were imperfect and required revision on the Government's own admission.

The Government has already promised councils that no one meeting the volume target will be penalised, no matter where their spending is in relation to the GRE.

An additional problem is the use of volume as a control and the use of the 1978-79 final expenditure figures as the benchmark.

The Government is refusing to release the final expenditure figures for 1979-80 although they are understood to be complete. The use of these figures would produce an entirely different set of results

No matter what happens to the shires, the metropolitan counties and most of the metropolitan districts cannot escape. All six metropolitan counties are badly adrift on both sets of figures.

The maximum penalty that can be imposed, in terms of withholding grant equivalent to the amount of their overshoot, would hardly dent the overall total of £900m.

Windscale reappraisal denied by CEGB

By David Fishlock, Science Editor

THE Central Electricity Generating Board strongly denied yesterday that it might renege on its commitment to the new £800m reprocessing plant for spent nuclear fuel at Windscale, Cumbria, as suggested in the Monopolies Commission's report on the CEGB last week.

But the CEGB confirmed that no contract had yet been signed with British Nuclear Fuels, even though the utility had already begun to send spent oxide fuel from its Hinkley power station to Windscale for storage.

It is understood that a reprocessing contract worth between £400m and £500m is being negotiated between them.

At the Windscale inquiry of 1977 the case for the thermal oxide reprocessing plant rested heavily on its necessity, as the CEGB then saw it, in support of its advanced gas-cooled reactors.

The Monopolies Commission said that it found it "surprising that, 16 years after the first order for an AGR, the board has still not decided how to deal with the irradiated fuel."

It says that the CEGB is being pressed by BNFL to enter into a contract "in the near future" for reprocessing 2,000 tonnes of fuel in the plant. "BNFL has already concluded contracts with European and Japanese utilities for oxide reprocessing and wishes to plan for an integrated total capacity."

According to the Monopolies Commission, however, the CEGB is "reappraising its strategy" for dealing with oxide fuel, and this reappraisal will include estimating cost of long-term dry storage.

As presented, this statement offered opponents of the Windscale project an opportunity to reassert that the thermal oxide reprocessing plant was not necessary, said Mr. Con Allday, managing director of BNFL, yesterday. BNFL had already received a letter of intent from the CEGB, Mr. Allday said.

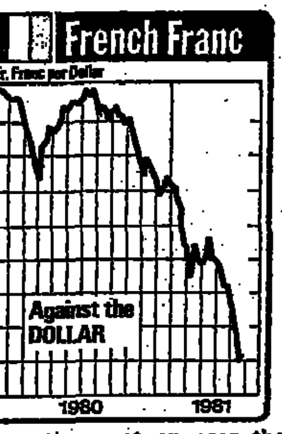
The CEGB contends that the Monopolies Commission has misunderstood its strategy on nuclear fuel reprocessing. Any delay in negotiating a contract was due only to its desire to obtain better terms, if possible, than the "rather generous terms" secured by BNFL's foreign customers.

Negotiations began before the Windscale inquiry, but have been conducted "in earnest" for the past six months.

THE LEX COLUMN

The franc on the floor

The Bank of France has more experience at defending its currency than most central banks can lay claim to, but it is having a dreadfully hard job persuading the markets that it can keep the franc in the European Monetary System. The requirement to buy unlimited amounts of francs at the floor price against the D-mark leaves it fighting with one hand tied behind its back, and so interest rates have had to go up to levels which even in New York might raise an eyebrow: the principal money market intervention rate is now 22 per cent.



One of the problems has been that there have been so many plausible days for a devaluation to occur. The day after the election, the day that M. Barre resigned as Prime Minister, the day that M. Mitterrand took over the presidency, last weekend (ditto, and because there was a Franco-German summit). Never mind that the very large intervention spending and the record interest rates suggest an absolute determination to keep the franc in the EMS—if only because M. Mitterrand feels that to devalue before the parliamentary elections in June might cause him to lose them.

Of course foreign exchange dealers have plenty of precedents of French franc devaluations to pore over in their spare time, although none of them is embarrassingly recent. In 1976, when the franc came under attack just before the parliamentary elections, the Bank of France was able to hold it by means of a 10½ per cent interest rate (then considered unconscionably high) and some nicely-timed intervention. The right-wing victory at the elections did the rest.

In March 1976, however, the franc was forced to withdraw from the European joint float, into which it had been re-inserted a year earlier at a level which had previously proved unsustainably high. It was not political worries this time which caused the pressure on the franc—which was of course resisted with plenty of "no devaluation" statements—but the collapse of the French trade position following the large (FFr 50bn in real money) reflation of autumn 1975.

Over the next couple of weeks the tightening up of exchange controls on trade flows, obliging importers and exporters to reduce their leads and lags against the franc, should provide some underpinning for the currency. But if selling pressure continues at or near the recent level, the expedient of a two-tier currency market—for long considered in France an inevitable accompaniment of left-wing government—might well be considered again. A commercial franc could hold its own quite comfortably in the EMS, given the position of the French current account, while a financial franc could fall as far as the sellers wanted to push it. It makes little sense for the reserves to be run down simply to oblige fleeing capital.

So far the only step taken in this direction has been the modest one of imposing a dollar premium on French residents' purchases of foreign securities: no doubt plenty of London investment currency dealers, deprived of their market for the past 18 months, will be looking for jobs in Paris. The feeling seems to be that through the premium pool the franc might trade at FFr 6.25 to the dollar, instead of the present FFr 5.50.

The dollar premium pool only inconveniences French residents, while a full two-tier market would involve non-residents as well. This is probably why the authorities are anxious not to go over to it except as a last resort: the Gaullist dream of Paris as a rival to London among European financial centres is still alive.

The present stretched EMS can survive as long as the French reserves hold out and the Germans are prepared to have the D-mark dragged down against the dollar by the pressure on the franc. Things would be very much easier if U.S. interest rates were falling, but the American economy's tolerance of real interest rates pushing into double figures gives no promise of early relief.

Murray Technology

Far from shrinking, as observers have been predicting in recent years, it looks suspiciously as if the investment trust sector has discovered a foolproof way to go on expanding for ever. After a spate of new issues in the last 12 months or so, the latest to go on offer is Murray Technology Investments, with a £10m placing by Murray Johnstone in the glamorous area of technology-based unlisted companies. The move comes hard on the heels of two similar issues by another Scottish investment house, Ivory and Sime, whose Independent Investment is now showing a gain of about 60 per cent over its November launch price.

With technology in high fashion at the moment, the signs are that the latest placing will get away with ease. However, Murray Johnstone trusts will hold 60 per cent of the equity, so the shares will not be particularly marketable. The Murray trusts will pay for half their holdings through the transfer, more or less at valuation, of stock in six companies, and the remainder in cash. So in practice the Murray Johnstone portfolio has been shuffled to entice a £4m cash injection at much less of a discount than might otherwise have been necessary.

Institutional palates jade rapidly however, so investment trusts have to be fast off the mark. Already the glamour launches of last year in the energy field, like New Darien and TR Energy, tend to be standing well below their issue prices. Indeed the time for conventional technology issues may already be passing. Institutional mouths have now begun to water over biotechnology; last week a $30m offshore fund called Bio-Tech Investments was snapped up like hot cakes.

Jardine Matheson

Jardine Matheson's 1980 accounts provide some reassurance for shareholders concerned about the effect of last year's share swap with Hongkong Land. Jardine's purchases have pushed up the group's debt/equity ratio to 87 per cent, and the issue of shares to HK Land, together with loan stock conversions, have boosted the issued share capital by around 20 per cent. But the company is clearly expecting a strong improvement from the Hong Kong operating divisions, as well as a good performance from the UK. Taken alongside the switch to equity accounting on the HK Land stake, this should keep earnings per share moving ahead this year and a major debt rescheduling will defer repayment until mainly the 1984-86 period.

Soviets and UK to begin trade talks tomorrow

By Paul Cheeseright and David Tonge

BRITISH AND SOVIET Trade Ministers are to start talks in London tomorrow, the first Ministerial contacts between the two countries since the Soviet Union invaded Afghanistan in December 1979.

The talks represent a relaxation in Britain's campaign to isolate the Soviet Union announced by Lord Carrington, the Foreign Secretary, one month after the invasion.

This campaign included avoiding ministerial contacts with Moscow. But the Government in London now fears that British companies are being placed at a competitive disadvantage on the Soviet market.

Mr. Cecil Parkinson, the Minister for Trade, will be flanked by industrialists when he meets Mr Vladimir Sushkov, the Soviet Deputy Minister for Foreign Trade, and Soviet officials.

Their meeting takes place within the framework of the British-Soviet Joint Commission on Trade Co-operation. Last year, a regular meeting of the Commission was cancelled

The Foreign Office maintains that Britain's condemnation of Soviet actions in Afghanistan has not weakened. It emphasises that Britain continues to raise the issue at all available fora.

But it admits that measures like the lifting of the U.S. grain embargo on the Soviet Union indicate a gradual change in the political climate.

With the Soviet Union shortly due to place orders abroad for equipment necessary for the 1981-85 five-year-plan, British business has been pressing the Government to make sure it is not disadvantaged. British exports to the Soviet Union continue to lag far behind those of France and West Germany.

The resumption of the Joint Commission meetings will give British industrialists a political framework of the type enjoyed by their French and West German competitors.

However, the UK is continuing to press its allies for tighter restrictions on the transfer of high technology.

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Builders plead for delay in cement price increase

BY ANDREW TAYLOR

CONSTRUCTION industry employers have appealed to cement manufacturers not to increase their prices on July 1. The cement makers' federation has warned that prices could rise between 4 and 6 per cent following an 11.75 per cent increase earlier this year.

Cement manufacturers are divided on the timing and size of the next increase. Some are concerned that too large an increase could bring renewed pressure on the cement makers' pricing agreement or lead to imports from Europe being drawn into the UK.

Blue Circle, the UK's largest cement producer controlling almost 60 per cent of the home market, is understood to support the view that the July 1 increase should be postponed or kept to a minimum.

However, Rugby Portland, the country's second largest cement manufacturer, is believed to have been pressing for a larger increase.

Meanwhile, representatives of the National Federation of Building Trades Employers and the Federation of Civil Engineering Contractors have told the cement makers' federation that a further price rise now would be "inopportune and unjustified."

The construction industry employers met the cement federation at one of a series of regular consultative meetings just before the Bank Holiday. The consultative machinery was established after bitter complaints by the construction industry at a 24 per cent increase in March, 1980.

Builders and civil engineers resent the possibility of a further price rise in July, at a time when construction workloads and order books are at one of the lowest levels for almost 40 years.

The builders' federation said in its annual report last week that building material price increases had generally slowed in the past six months.

"By contrast," it went on, "the recent decision by the cement makers to raise their prices, although well notified in advance to contractors, cannot help in this fight to control costs and maintain margins and employment in such tight market conditions."

Rugby Portland is understood to take the view that cement makers must press ahead with a further price increase because the industry is involved in a heavy capital expenditure programme to modernise plant and reduce manufacturing costs.

Thomas Ward is believed to support that view. Other cement makers, however, consider that a further price rise, or too large an increase, on July 1, could seriously damage relations with the construction industry and concrete producers.

Lloyd's ruling body to consider amending self-regulation Bill

BY JOHN MOORE

THE 16-STRONG ruling committee of Lloyd's, the insurance market supported by a private membership, will meet this week to consider ways in which it can amend its Bill of Parliament for improving self-regulation.

The move follows the ruling by a House of Commons committee last week that the Bill ought to be amended "so as to provide for complete divestment as between brokers and underwriters." The Commons committee's decision could mean the biggest upheaval in Lloyd's 300-year history.

Lloyd's still faces opposition from the large Lloyd's brokers who could lose a significant part of their revenue if Lloyd's acts on the Commons committee decision. Informal talks have already been taking place between members of the Lloyd's committee and chief executives of the brokers.

Moreover, a group of Conservative MPs are unhappy that Lloyd's has not responded to an undertaking given by Sir Graham Page Conservative MP for Crosby, who is promoting the Bill through the Commons for Lloyd's.

Sir Graham undertook that a clause granting Lloyd's officers and a new Lloyd's council protection from legal action would be removed from the main body of the Bill. Such a provision could be introduced only in a by-law by a new Lloyd's Council, and that by-laws would need approval by both Houses of Parliament.

At the Commons committee reading stage, Lloyd's reintroduced the clause into the Bill, after responding to Opposition suggestions that such a measure should be introduced as primary legislation.

Conservative MPs are expected to make representations to Lloyd's to discuss the legal immunity clause before the Bill is resubmitted to the Commons committee.

Lady Janet Middleton, chairwoman of the External Members Association of Lloyd's, which seeks to represent the interests of the 16,000 members of Lloyd's who do not work in the market, said she was still not happy that only eight of the external members of the market will sit on a new Lloyd's council of 27 representatives.

"We certainly haven't got what we want," she said. The association would therefore be "fighting for the legal immunity clause to be deleted."

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Weather

UK TODAY

SUNNY intervals and showers.

London, Midlands, North and South England, Midlands, Wales
Some heavy showers with thunder. Max 15C.

Lake District, Isle of Man, SW Scotland, Glasgow, Central Highlands, Argyll, Northern Ireland
Some thundery showers. Max 14C.

Edinburgh, Dundee, Aberdeen, Moray Firth, NE Scotland, Orkney, Shetland
Mostly dry. coastal fog. Max 12C.

North West Scotland
Rain at first. Max 12C.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	24	75	L. Ang.†	C	18	64
Algiers	S	27	81	Luxmbg.	C	10	50
Amsdm.	R	11	52	Luxor		—	—
Athens	S	23	73	Madrid	R	15	59
Bahrain		—	—	Majorca	C	22	72
Barclna.	C	19	66	Malaga	S	30	86
Beirut	C	23	73	Malta	S	23	73
Belfast	C	11	52	M'chstr	C	12	54
Belgrd.	F	25	77	Melbne.	R	13	55
Berlin	C	18	64	Mx. C.†		—	—
Biarritz	F	16	61	Miami†	C	26	79
Bmghm.	C	10	50	Milan	C	19	66
Blackpl.	C	15	59	Montrl.†	C	18	64
Bordx.	C	16	61	Moscow	S	25	77
Boulgn.	F	11	52	Munich	C	18	64
Bristol	C	11	52	Nairobi		—	—
Brussels	F	14	57	Naples	S	23	73
Budpst.		—	—	Nassau		—	—
Cairo	F	28	82	Nwcstl.	F	13	55
Cardiff	C	12	54	N. York†	F	22	72
Cas'b'ca		—	—	Nice	C	18	64
Cape T.	C	18	64	Nicosia		—	—
Chicg.†	F	21	70	Oporto	F	15	59
Cologne	C	13	55	Oslo	R	12	54
Cpnhgn.	S	15	59	Paris	R	14	57
Corfu	S	24	75	Perth	R	13	55
Denver†	C	11	52	Prague	C	19	66
Dublin	F	12	54	Rykjvk.	C	12	54
Dbrvnk.		—	—	Rhodes	S	21	70
Ednbgh.	C	14	57	Rio J'o†		—	—
Faro	F	21	70	Rome	F	23	73
Florence	C	25	77	Salzbrg.	C	23	73
Frankft.	R	12	54	S'cisco†	C	14	57
Funchal	S	21	70	S. Mritz.		—	—
Geneva	R	12	54	Singapr.	C	29	84
Gibrltr.	S	22	72	S'tiago†		—	—
Gl'sg'w	C	14	57	Stckhm.	R	13	55
G'rnsey	S	12	54	Strasbg.		—	—
Helsinki	S	22	72	Sydney	S	21	70
H. Kong	C	27	81	Tangier		—	—
Innsbrk.	C	19	66	Tel Aviv	C	23	73
Invrnss.	S	14	57	Tenerife	F	24	75
I.o.Man		—	—	Tokyo	C	24	75
Istanbul	F	20	68	T'r'nto†	C	17	63
Jersey	S	11	52	Tunis	S	31	88
Jo'burg		—	—	Valencia	C	24	75
L. Plms.	C	24	75	Venice	C	21	70
Lisbon	C	17	63	Vienna	F	21	70
Locarno	R	13	55	Warsaw	F	20	68
London	R	11	52	Zurich	R	12	54

C—Cloudy. F—Fair. R—Rain. S—Sunny. T—Thunder.
† Noon GMT temperatures.

Continued from Page 1

Benefits

unions to avoid the needy being hit. Because of staff being pulled off other work to write Giro cheques manually, the main effects of the likely action as planned would be to cause administrative disruption in departments, though new claimants could also be hit.

Some union leaders are urging action as early as this week though others are talking about 10 days or two weeks, to give the Government and the TUC some room for manoeuvre.

Benefit action would not preclude further action at airports. Those to be hit today by air traffic control staff are Aberdeen, Sumburgh, Prestwick and Glasgow airports and the Scottish Air Traffic Control Centre (am), and Edinburgh and the Oceanic Control Centre, affecting international flights (pm).

The Guild of Air Traffic Control Officers deplores the action taken in a statement issued today in an attempt to influence the response of the key controllers. The guild, which claims to represent more than 1,000 controllers, "earnestly invites all those concerned most seriously to reconsider the involvement of air traffic control personnel in the current dispute," it says.

It states that the traditional British air traffic control professional credibility and integrity is at stake, and its officials are also questioning the safety aspects of the action.

Following the warnings from Pan Am and TWA that they may seek financial recompense from the Government because of the action, British Airways has announced it has lost £10m profit and cancelled about 1,000 flights so far because of the air traffic strikes.

Continued from Page 1

Resignation

saying that the resignation implies "a further loss of credibility of Social Democratic policy."

The stage is thus set for increased internal party friction and a probable struggle over a successor to Herr Klose, with new elections in the Hamburg city-state only a year away.

The Opposition Christian Democrats are therefore more hopeful of wresting Hamburg from Social Democrat control and increasing their hold on the Bundesrat, the second Chamber of the Federal Parliament in Bonn, which groups representatives of the provincial states.

In a letter to party colleagues Herr Klose left no doubt that the dispute over the Brokdorf nuclear project was the key reason for his decision

He has sought to end Hamburg's 50 per cent stake in the project through the Hamburger Electricitaets Werke on the grounds that the city would become too dependent on atomic power if Brokdorf went ahead.

Although a majority of the local party supports him, key members of the Hamburg City Government, and the electricity board, are against him.

Herr Klose noted that some colleagues had asked him to stop pressing the Brokdorf issue until after next year's elections, but he was not prepared to do this.

At stake, he said, was the kind of system under which Germans wished to live, one tailored to the common good, or to realisation of the technically most advanced and economically most profitable projects.

He made clear that he planned to stay a member of the party and of the Hamburg Parliament.

Registered at the Post Office. Printed by St. Clement's Press for and published by the Financial Times Ltd., Bracken House, Cannon Street, London, EC4P 4BY.